



# **Exploring Institutional Capacity of the State to facilitate Economic Development in Nigeria**

**Lessons from Malaysia**



By

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Dissertation submitted in fulfilment of the requirements for the degree of  
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Science, University of KwaZulu-Natal



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# DECLARATION

I, Dominic Ayegba Okoliko, hereby declare that this dissertation is my own original work and that all sources have been accurately reported and acknowledged, and that this document has not previously in its entirety or in part been submitted at any university in order to obtain academic qualification

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# **DEDICATION**

To Abraham Okoliko for his resilient love and faith in me; and to my loving parents, Joseph and Paulina for their undying support.

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I would like to express my profound gratitude to God and to people who supported me during the course of doing this MSS dissertation. With no special order, I particularly direct the following thanks to those I cannot fail to remember.

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# ABSTRACT

This research appraises the connexion between the institutional state and economic performance (growth and development) while focusing on the countries of Malaysia and Nigeria. The largely explorative study takes cue from the perennial debate on state-society nexus vis-à-vis economic performance which has two broad narratives. The neoliberal view construes the relationship to be counterproductive and pitches the failure on the tendencies of the state to get-in-the-way of market efficiency. Consequently, its proponents advocate that the state should have at best, minimal role in the economic organisations of societies. The other position is represented by statism which believes in the omniscience of the state in matters of organising the socio-economic life of the society. In light of developmental state studies highlighting deficiencies in these diametrically opposed positions, an alternative explanations that find rich empirical backing from the experiences of economic growth and development in East Asia was explored. While validating that state inefficiency can hamper growth processes, these studies point out that market efficiency also often neglects the import of equity that is relevant to development.

Against this backdrop, this research comparatively examines the developmental experiences of Malaysia and Nigeria with a focus on the importance of institutional state as a factor of economic growth and development. The desktop study used both thematic and simple descriptive statistical analyses, and draws from the analytical tools of developmental state theory. Observation suggests that there is a relative difference between Malaysia and Nigeria's developmental trajectories – the latter is reported as having underperformed historically. This can be explained in part, by the differences in the state institutional qualities (structural and ideological) of the two countries. Some of these qualities include developmental ideological-orientations, good governance, bureaucratic efficiency, state-society partnership and lesser cases of corruption. Consequently, the study argues that when states take on ideological and structural development-orientation, they are better equipped to play pivotal roles in development process. This role is neither minimalistic nor overcrowding but is a mixture of strategies aimed at generating and redirecting economic wealth to achieve inclusive national development. The submission is important for developing countries confronted by historical developmental challenges. And to this effect, the study offers useful recommendation while focusing on the Nigerian state.

**Keywords:** state, development, institutions, developmental state

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# GLOSSARY

AIDS	Acquired Immune Deficiency Syndrome
APC	All Progressive Congress (Nigeria)
ASEAN-4	Association of Southeast Asian Nations (Indonesia, Malaysia, Philippines and Thailand)
ASUU	Academic Staff Union of Universities
ATR	African Traditional Religion
BRICS	Brazil, Russia, India and South Africa
CBN	Central Bank of Nigeria
CPI-TI	Corruption Perception Index of Transparency International
DHS	Nigeria Demographic and Health Survey
DSM	Department of Statistics, Malaysia
EFCC	Economic and Financial Crimes Commission
EOI	Export-oriented industrialization
EPU	Economic Planning Unit, Malaysia
FCT	Federal Capital Territory (Nigeria)
FDI	Foreign Direct Investment
FELDA	Federal Land Development Authority (Malaysia)
GCI	Global Competitiveness Index
GDP	Gross Domestic Product
GNP	Gross National Product
HDI	Human Development Index
HDR	Human Development Report
HIID	Harvard Institute for International Development
HIV	Human Immunodeficiency Virus
HNLSS	Harmonized Nigeria Living Standard Survey
ICPC	Independent Corrupt Practices Commission
IFI	International Financial Institutions
NBS	National Bureau of Statistics, Nigeria
IMF	International Monetary Fund
ISI	Import-substitution industrialization
ISIS	Institute of Strategic and International Studies in Kuala Lumpur
ISO	International Organisation for Standardisation

IT	Information Technology
ITC	Information Technology and Communication
LA	Local government Authorities (Malaysia)
LGA	Local Government Areas (Nigeria)
LUTH	Lagos University Teaching Hospital
MACC	Malaysian Anti-Corruption Commission
MBC	Malaysian Business Council
MBC	Malaysian Business Council
MCA	Malaysian Chinese Association
MDAs	Ministries, Departments and Agencies
MDGs	Millennium Development Goals
MEND	Movement for the Emancipation of Niger Delta
MIC	Malaysian Indian Congress
MINTs	Mexico, Indonesia, Nigeria and Turkey
MOSOP	Movement for the Survival of the Ogoni People
MOSSOB	Movement for the Actualization of the Sovereign State of Biafra
MQLI	Malaysian Quality of Life Index
MSS	matrix salary schedule
MTI	Ministry of International Trade and Industry
₦	Nigerian Naira
NAN	News Agency of Nigeria
NAPEP	National Poverty Eradication Programme
NBS	National Bureau of Statistics, Nigeria
NDP	National Development Policy
NEEDS	National Economic Empowerment and Development Strategy
NEP	New Economic Policy
NF	National Front ( <i>Barisan Nasional</i> )
NIEs	New Industrialising Economies
NIPP	National Integrated Power Project
NIPSS	National Institute for Policy and Strategic Studies
NMA	Nigerian Medical Association
NNPC	Nigerian National Petroleum Corporation
NNPC	Nigerian National Petroleum Corporation
NPM	New Public Management

NPM	New Public Management
NRS	New Remuneration Scheme
NVP	National Vision Policy
ODA	Official Development Assistance
OECD	Organisation of Economic Cooperation and Development
OFN	Operation feed the Nation (Nigeria)
PCB	Public Complaints Bureau
PCB	Public Complaints Bureau
PDP	People's Democratic Party (Nigeria)
PERNAS	Perbadanan Nasional Berhad (National Corporation)
PSN	Public Service Networks
PSN	Public Service Networks
SAN	Senior Advocate of Nigeria
SAP	Structural Adjustment Programme
SAP	Structural Adjustment Policies
TA	Transformation Agenda
TFP	Total Factor Productivity
TQM	Total Quality Management
UDA	Urban Development Authority (Malaysia)
UMNO	United Malays National Organisation
UN	United Nations
UNCT	United Nations Country Team (Malaysia)
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organisation
US\$	United State of America's dollar
WAI	War against Indiscipline (Nigeria)
WDI	World Development Indicators
WEF	World Economic Forum
WJPRL	World Justice Project Rule of Law

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# **CHAPTER ONE**

## **General Introduction**

## **1.0. Background of the Study**

The relationship between the state as the most visible and decisive institutional representation of society and economic performance has long been issue of scholarly debate. Broadly, one narrative attempts to portray the relationship as counterproductive and hence, advocates at most, little role for the state in the economy. Taking on high momentum during the economic “counter-revolution” of 1970s, this neoclassical thinking considers the state as detrimental to growth, poverty reduction and economic development (Sindzingre, 2006, p. 3). At the empirical level, the view found reinforcement in the poor economic performance recorded in low-income countries like those of Latin America and Sub-Saharan Africa, especially in the 1980s. In these countries, widespread existence of political structures in the form of predatory political elites, inefficient bureaucracies, and mal-governance skewed state intervention in the economics to produce clear negative effects on economic growth and development (Akyüz & Gore, 2001; Dadzie, 2012). Consequently, these countries recorded high rate of inequality, low standard of living, and social polarisation that often resulted in conflict.

However, earlier development theories have contrary conception of the state-cum-economic performance. Keynesian legacy for instance, strongly advocated for state interventions as crucial to national economic performance. It recognises the challenges of unfettered market (e.g. the question of redistribution) (Schiller, 2000). As an alternative, John Keynes argues that the state “like a pressure gauge, letting off excess steam or building it up as the economy needed” (Agbaje, 2011, p. 5) can provide a more fair playing ground for all economic agents. But this conception of state role is never seen as exclusive; it is only necessary as a means to redress “excessive inequalities and to create employment”. While state interventions in the market is desirable for the stated purpose, it was also recognised that the state can as well fail to improve market outcomes or actually make them worse (Schiller, 2000). This point illuminates the failure of the efforts of most developing state to redress their economic inefficiencies through government interventions.

Similarly, from politics to economics, scholars now considers institutions as crucial factor in economic growth and development (Agbaje, 2011; Edigheji, 2010; Evans, 2004; Evans & Rauch, 1999; Henderson *et al.*, 2002; Nelson & Sampat, 2001; North, 2003; Sindzingre, 2006). For instance, Evans (2004, p. 32) speaks of institutions as key to development and argue that they explain the persistence of North-South divide despite a half century history of industrialisation in the South. These authors argue that other than blaming the state or wishing it away for lack of or slow economic performance, the character of the state as an institution

should be subject of transformation to expunge its corrupt and exploitative orientations (as demonstrated in certain regions of the world), thereby paving way for the state to take a leading role in advancing economic development.

Historical development in East Asia reinforced this rebirth of interest in institutional factors of economic development. Particularly, the overwhelming rapid and sustained growth story of the region's New Industrializing Economies (NIEs) in the 1980s and 1990s (Stiglitz, 1996, p. 151) drew the attentions of policymakers and analysts world-over. Their analyses mostly aimed at understanding the dynamism behind the experience also focused on exploring the possibility of replicating it elsewhere (Joshi, 2012). Putting aside the details of conceptual frameworks in these studies, an identifiable common feature – with a household name as *developmental state* (DS) – behind the East Asian story is the importance of competent institutions in steering economic growth and development (Edigheji, 2010, p. 3).

In light of this new thinking about development, interrogation of the institutional state as factor affecting economic performance takes a different dimension from the neoclassical view which is bent on getting the price right. Particularly, the trends point to the direction that the slow pace of development in the Third World countries may be explained in light of absence of certain institutions or their presence as fragile. Consequently, the low degree of institutionalisation which favours personal rule (Sindzingre, 2006, p. 24) orient the state to be exploitative. Weak institutionalisation at state level has a link with segmentation of social groups and this entails devastating consequences in terms of economic efficiency. In some cases, the trend separates citizenry and the state such that the synergic relationship between the duos necessary for upping development scale becomes problematic (Bariledum & Vurasi, 2013). Evidence suggests that some Asian countries have made considerable progress in establishing development favourable institutional states.

The event of the 1970-1990s economic success experience in the Southeast Asia certainly presents research interest. This is most true as it has been judged to have occurred outside mainstream economic paradigm of the Washington Consensus (Hayashi, 2010). Arguably, Malaysia's impressive sustained economic growth rate that was achieved under conditions paralleling those of the traditional East Asian models illicit even more research interest. Telling of this, Trezzini (2001, p. 324) describes Malaysia as characterised by “marked ethnic-religious heterogeneity”, “a relatively democratic political system”, a strong reliance on Foreign Direct Investment (FDI), “abundant natural resources and a confined autonomy”. Despite these

conditions which constitute “a deviant case from the ideal-type ‘East Asian success model’” (Trezzini, 2001, pp. 327-328), Malaysia’s economic development has been moderately successful. Malaysia’s 7% average growth rate maintained from 1970 to 2000 classified her during the period “as one of the ten fastest-growing economies in the world” (Naguib & Smucker, 2009; Snodgrass, 1995).

What is more, this impressive economic achievement occurred under a robust redistributive policy that helped to reduce at an impressive rate the level of inequality within the country and increased living standards in the society (Naguib & Smucker, 2009). This feat is arguably a function of a developmental state. That is, a state that possesses developmental *capacities* to produce broaden development whence the concept of development entails both the measurable outcome and the qualitative aspect of social transformation. These capacity – institutional framework of the state – include the character of elected and appointed public office holders who are responsible for formulating and executing public policy and whose effective functions lie in their autonomy negotiated through citizenry participation that legitimizes their effectiveness.

To a large extent, the Malaysia’s features are similar to Nigeria<sup>1</sup>’s socio-economic and political environment; hence, making it compelling to compare both countries’ developmental history. While Malaysia has managed to achieve greater development<sup>2</sup>, Nigeria still battles with numerous developmental challenges even in the midst of the recent acclaimed economic growth<sup>3</sup> (Mbamalu & Iyatse, 2014). For instance, Malaysia enjoys the rank of *the high human development category* of United Nations Development Programme (UNDP) Human Development Report (HDR) as it is positioned at 62 out of 187 countries and territories of Human Development Index survey (HDI) of 2013 (UNDP, 2014). Contrastingly, being among *the low human development category*, Nigeria was ranked 152 in the same report for demonstrating high discrepancy between her ostensible economic growths on the one hand, and the scares of poor development which characterises the nation on the other hand. Given that Malaysia and Nigeria have relatively similar socio-economic and political conditions, what

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<sup>1</sup> Some of these features are: plural society, presence of natural resources, democratic institutions and dependency on FDI.

<sup>2</sup> Although it is not as robust as the first generational Asian DS, its impressive growth record has placed it as the leader of the second-tier NIEs both compared to those within its rank in the region and elsewhere (Trezzini, 2001).

<sup>3</sup> In the first week of April, Nigeria rebased its GDP from the initial figure of \$285.5bn to \$510bn. This feat has now placed the country as the biggest economy in Africa.

explains this developmental differences? Is it possible that unlike institutional frameworks as existing in these societies can provide clues?

## **1.1. Outline of Research Problem**

This study is designed to compare the developmental experiences of Malaysia and Nigeria with the aim of exploring the importance of institutional state as a factor of economic growth and development. The particular interest is to seek ways in which lessons from the explorative study can be used to position Nigerian state as a leading role player in the country's development process.

### **1.1.1. Research Hypothesis**

Central to the study is the claim that competent state institution is positively correlated with economic performance (growth and development). If this holds, it is expected that where reasonable consolidation of state institution exist, reasonable economic performance should be expectedly visible, and vice versa. Furthermore, it is hypothesised that the relative difference between Malaysia and Nigeria's developmental trajectories can be explained in part, by the differences in their state institutional qualities. In particular, Malaysia is said to have enjoyed successes due to its relative institutional quality measured in terms of national development-oriented ideology and political leadership, bureaucratic quality, good governance and lesser cases of corruption. These are comparably less visible in the Nigerian case. The remainder of this study stands to demonstrate these claims.

### **1.1.2. Research Objectives**

The research objectives are broken down as follows. It aims to:

- i. explore the extent to which the institutional state matter in aiding or inhibiting economic growth and development in Malaysia and Nigeria;
- ii. explore the similarities and differences that may exist between Malaysia and Nigeria with regard to institutional factors in their respective developmental experiences;
- iii. explore lessons that may be derived from examining the two cases with regard to developmental discourse in developing countries, especially for Nigeria.

### **1.1.3. Research Questions**

The research questions are:

- a. To what extent do institutional elements aid or constrain economic growth and development in Malaysia and Nigeria?
- b. What similarities and differences exist between Malaysia and Nigeria with regard to institutions as significant elements in the process of national development?
- c. What implication does the study have for discourse on development in Nigeria?

## **1.2. The Theoretical Framework**

This study is guided by the theoretical lens framed as *Developmental State* (DS). As a concept, it has been used to describe “a state that puts economic development as the top priority of governmental policy and is able to design effective instruments to promote such a goal” (Bagchi, 2000, p. 398). This depiction explains the context within which DS discourse began. DS concept is a product of historical circumstance to meet contextual conditions aimed at speeding-up development (Edigheji, 2010, p. 2). Hence, traditionally, it has come to be identified with the Asian developmental story (Fine, 2010; Joshi, 2012). Having said that, DS discourse demonstrates essentially the correlation between state capacity to function as a fulcrum of rounded development and a resultant achievement of measurable development amongst its sovereign.

Fine (2010) describes DS literature as divided into two main schools: the political and the economic. The former interrogates the concern that “the state has the capacity to be developmental” (Fine, 2010, p. 171) in the sense of adopting appropriate policies that aims at generating and sustaining development. In contrast, the economic school is focused on articulating appropriate economic policies or the rationale for these policies that account for development. Johnson (1982) hints on the core element of the political model as comprising of “a small, elite top-quality management within the state to select and promote industries, and to supervise competition; a political system that enables this; market-conforming methods of intervention; and an organisation such as MITI [the Ministry of Trade and Industry] to effect implementation” (Fine, 2010, p. 171). Devoid of the consideration for the political conditions, the economic school contrastingly shifts emphasis to market imperfections and the means for correcting them through the state policy instruments. Wade’s (1990) study titled *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization* is demonstrative of this tradition. The study points to a commitment to state interventionism of industrial and trade policy, state control and allocation of finance for investment, among others.

But as Sindzingre (2007, p. 618) argues, developmental state is simultaneously an economic and a political phenomenon making it difficult and rather unnecessary to delink its policies from political objectives and interests. Thus, it can be concluded that the nature of state-society connexion and how this becomes functional or dysfunctional is central to the developmental state paradigm (Fine, 2010, p. 172).

Castells' (1992, pp. 56-57) definition of a developmental state emphasises the quality of the state-society relation. Accordingly, "a state is developmental when it establishes as its principle of legitimacy its ability to promote and sustain development". Thus, ensuring economic development within the sovereigns is not only a goal of the state, it is also a means through which state acquires and sustains legitimacy from the populace to function. And in this sense, it becomes a useful tool with which to examine how states such as Malaysia and Nigeria maintains legitimacy within their societies through the means of initiating and sustaining "development" that meets citizens' needs.

But as Joshi (2012, p. 357) notes, the overuse of the theory to explain the Asian success has limited its theoretical importance<sup>4</sup>. And since the historical condition of the region was rather non-democratic, it is taken to be the case that developmental state is inimical to democracy (Edigheji, 2010; Hayashi, 2010). Hence, competent and efficient bureaucracy is overemphasized as the technical and administrative capacity of the state often to the detriment of the ideational and political capacities underpinning the structure. The result is that some policy analysts and policymakers hold that developmental state is ill-equipped to explain developmental dynamics in non-autocratic and technocratic societies which characterize most twenty-first century nations. This is why Malaysia with its intricate "embedded state autonomy" (Trezzini, 2001, p. 344) presents a deviant explanation of DS. But also, Mkandawire's (2001b) conceptualisation couple the tensions highlighted above. For him, DS has two components: one *ideological* and the other *structural* (Mkandawire, 2001b, p. 20). The technical and the administrative features are locked in the structural aspects of DS model while the political and the ideational elements belong to the ideological components. This study utilises this synthesis to examine the intricate relationships between the state and society in both Malaysia and Nigeria, and to determine their impact on developments. It recognises that

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<sup>4</sup> Hayashi (2010) equally criticised the tendency among scholars to equate DS model with the Japanese or Northeast Asian model of economic development, especially with the non-democratic features of these countries.



the determinants of this relationship are multifaceted: political, economic, cultural, and social etc.

At the ideological level then, a developmental state is solidly rooted in a ‘developmentalist’ orientation where it conceives its mission as basically to ensure economic development. In this sense, the legitimacy of the state is anchored on its ability to promote sustained development, needless to say that traditionally; this was understood as meaning high rates of accumulation and industrialisation. But the capability paradigm which this study appropriates stretches this further to include meaningful transformation of socio-economic life of citizens within the state<sup>5</sup> (Alkire and Deneulin, 2009a; 2009b). In this context, Routley (2012, p. 7) identified three outcomes expected of a developmental state: growth, living standards and legitimacy. The understanding then, is not a focus on growth alone but also on human development progress as integral to economic improvement. Evans’ (2010) later work which built on Sen’s capability approach highlights this point well; that development outcomes of DS focuses on developing capabilities of individuals rather than only economic gains. Thus, DS ideological element puts premium on tackling human development challenges concomitantly with maintaining economic growth.

Joshi’s (2012) DS framework specifically speak to this concern. In broadening DS theory from the narrow and geographical limitations of Asian experience, he argues that DS can be seen as entailing pathways that developmentally challenged nations can take to substantially raise standards of living of their citizenry. Particularly, he identified that the Millennium Development Goals (MDGs) exemplifies a developmental state orientation to which the state strives to meet. He argues, a developmental ideology targets “meeting the population’s ‘basic human needs’ as reflected in the MDGs “rather than in attaining a specific ‘income or production level” (p. 357). This is because MDGs clearly stipulate a focus on human development. MDGs express “a strong commitment to the right to development, to gender equality and the empowerment of women, to the eradication of the many dimensions of poverty, and to sustainable human development” (UNCT & EPU, 2005, p. 8). MDG is a time-bound world policy direction that has guided world governments’ developmental paradigms since its emergence in 2000 at a UN’s Millennium Summit in New York. The target year is 2015. The eight MDGs are:

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<sup>5</sup> This would be expounded more in chapter two where the concept of development is discussed. Safe to say that the approach focuses on people and seeks to enable them people lead a flourishing life

- 1) Eradicate extreme poverty and hunger
- 2) Achieve universal primary education
- 3) Promote equality and empower women
- 4) Reduce child mortality
- 5) Improve maternal health
- 6) Combat HIV/AIDS, Malaria and other diseases
- 7) Ensure environmental sustainability
- 8) Develop a global partnership for development (Anger, 2010, p. 139).

The foregoing is relevant to the discussion on how Malaysia and Nigeria are able to address economic growth need and at the same time, to have an observable transformation of the quality of life of citizenry. Each country's progress in meeting MDGs provide indicators for the latter.

At the structural level, DS relays the capacity of the state to carry out developmental mission (as addressed above), where such capacities include technical, administrative and political factors or broadly stated, the institutional capacity of the state. In DS literature, elite coalitions or political leadership and the bureaucrats are identified as important agents whose functions cover the above listed capacities. The society (private and civil sectors) are the third party required for the effectiveness of DS implementation. The relationships of these three elements are forged into the concept of state-society relation that is key to DS theorisation (Castells, 1992; Routley, 2012). Essentially, the structural speaks of partnership between the state and the society in a mutually beneficial way that ensures the fulfilment of the state's development goals.

The foregoing discussion leads to identifiable features of a developmental state. They include:

- 1) A developmental-oriented political leadership (Mkandawire, 2001; Dassah, 2011)
- 2) A capable, autonomous but embedded bureaucracy (Evans & Rauch, 1999)
- 3) Beneficial state-society partnership (e.g., agencies coordination, agencies relations to industrialists, agencies-civil societies, leadership elites-electoral, etc) (Joshi, 2012)
- 4) Performance-oriented governance (Dassah, 2011)
- 5) Successful policy interventions which promote growth and human development (Routley, 2012; Dassah, 2011)

DS emphasis on state-society partnership argues that the state needs some level of autonomy in order to effectively coordinate development processes to yield desired goals other than separatist interests. This however, does not mean "strong state" is what DS requires to be effective. Edigheji (2010), Joshi (2012) and Mkandawire (2010) demonstrate that DS is not incompatible with democratic system. Blaming the thought of 'sequencing fallacy' – a belief that development should precede democracy – on over-association of DS with Asian non-democratic states, Edigheji (2010, p. 8) contends that it is erroneous to conceptualise "the

ability of the state to define its developmental vision and to formulate policy to achieve that vision, as well as the implementation capacity of the developmental state” only as a “function of the administrative and technical capacity of the state”. This is because a competent state apparatus (administrative and technical) are a necessary but not sufficient condition for the developmental state because political capacity that gives and sustains state’s legitimacy to function, and which enhances transparency and accountability is equally important.

This point is clear in capability approach which stresses enabling people to be actively involved in the shaping of their own destiny as crucial to development process (Alkire and Deneulin, 2009, p. 27). This is crucial to the usefulness of DS theory in today’s world where social consciousness on participation is very rife. Among other things, it guarantee’s transparency, accountability, and other good governance attributes. Hence, while the state provides the coordinating role (feature one, two and three above) the society gives active support and checkmate state power through the criteria of legitimacy (feature three and four). Therefore, the refined theoretical lens is useful for the analysis of development in the case of Malaysia and more importantly for Nigeria. The framework is used to examine the impact that the degree of politics of coalition in both plural societies on the development processes of both nations.

On the fifth element, Joshi (2012) identifies three pathways that non-Western states that aim at meeting MDGs can take. He argued that developmental states can actively create an initial “comparative advantage” in (a) human capital; (b) natural capital; and (c) social capital (2012, p. 356). The trade-offs of these initiatives in form of “returns-to-capital is effectively re-invested in a broader state-led development aimed at satisfying ‘most citizen’s basic human needs”. While Joshi’s theorisation shows particular states exemplifying one of the typology (e.g., Singapore for type ‘a’; Kuwait for type ‘b’ and Costa Rica for type ‘c’), he nevertheless considered it useful for states to combine them. This is particularly relevant for the study of Malaysia and Nigeria’s developmental trajectories as both countries are arguably endowed with all three capitals. Using this framework, this study examines how these countries utilize or fail to utilize the rich human, natural and social capital within their countries in the quest to meet MDGs.

### **1.3. Research Methodology**

This comparative study uses mixed (also called triangulation) methodology. Triangulation combines both qualitative and quantitative research approach (Jick, 1979). Olsen (2004, p. 8) defines triangulation “as the mixing of data or methods so that diverse viewpoints or

standpoints cast light upon a topic”. This approach is used to maximize strengths in both qualitative and quantitative research designs (Onwuegbuzie & Collins, 2007). Accordingly, while qualitative approach brings in-depth description to the study, the approach alone is found inadequate in generating good representation<sup>6</sup>. Similarly, quantitative approach alone offers dry representation with little emphasis on “understanding” the phenomenon under investigation. Thus, combining the two methods allow the weakness in using one of the method to “be compensated by the counter-balancing strengths of another” (Jick, 1970, p. 604).

### **1.3.1. Methods**

The research is unobtrusive – to use Babbie and Mouton’s (2001) typology – in design. The researcher has no direct relationship with the object of study (the institutional states of the selected countries). Thus, it is a desktop study. However, to reflect its mixed approach, some already generated quantitative data are utilized. Aside the fact that the researcher found this approach less costly and effective to manage within the duration of the study (one year), it is instructive to note that unobtrusive research design allows room for neutrality as the researched is incapable of reacting directly to the researcher or the latter having any direct impact on the former and the implication it might have on the quality of interpretations (Babbie & Mouton, 2001, p. 374).

The mixed method design used is concurrent; it does not sequence the two methods both in the presentation and analysis of data. By so doing, the study compares both forms of data to search for congruent findings (e.g., how the themes identified in the qualitative data collection compare with the statistical results in the quantitative analysis) (Onwuegbuzie & Collins, 2007, pp. 381,391). As Onwegbuzie and Collins (2007) argue, this kind of research design fits a study that has complementarity as one of its purpose. It has been pointed out earlier that scholarship in the area of institutions nexus growth and economic development has been considerably established at the general level. Consequently, the present study in a way aims to complement this understanding by conducting a comparative analysis of development in two regions drawn from Southeast Asia and West Africa.

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<sup>6</sup> For comprehensive lists of problems associated with qualitative research, see Onwuegbuzi and Collins (2007). Some of their lists include: Credibility (replacement for quantitative concept of internal validity), transferability (external validity), dependability (reliability), and conformability (objectivity)

### **1.3.2. Data Sampling**

Purposive or theoretical sampling that allows the choice of settings which illustrate some features or processes being researched guided the choice of both Malaysia and Nigeria as cases for this study (David, 2000, p. 104; Lincoln & Denzin, 1994). The choice of Malaysia as a control case is encouraged by its distinctive characteristic as a developmental state given that it has recorded reasonable economic growth and development (Trezzini, 2001). And as the research is underpinned by the theoretical framework of democratic developmental state, it is relevant that the category selected for the study reflects some features of democracy (Malaysia practices *quasi*-democracy). Underscoring this point, Onwegbuzie and Collins (2007, p. 287) affirm that purposeful sampling involves selecting individuals, groups, and settings for the study that maximize understanding of the underlying phenomenon.

In the case of Nigeria, the country provides an interesting ‘deviant’ case to the theoretical framework that guides this study. Like Malaysia, it is *formally* democratic and has enormous economic potentials; nevertheless, the country’s progress in development considered has been slow. Hence, comparing both cases provides relevant ground to test and improve the theoretical assumptions for this study. This consideration follows Mason’s (1996, pp. 93-94) suggestion that theoretical sampling should be concerned with selecting categories “which is meaningful theoretically, because it builds in certain characteristics or criteria which help to develop and test your theory and explanation”. More so, the shared similarities between the two countries in terms of demography (multiculturalism), type of government (democracy or quasi-democracy), available natural resource etc. can aid comparison as these features can easily be parametrized to allow concentration on other variables relative to the dependent variables (economic growth and development). As della Porta (2008, p. 214) submits, “working with similar systems facilitates the *ceteris paribus* rule since it reduces the number of ‘disturbing’ variables to be kept under control”.

### **1.3.3 Data Sourcing**

Data considered in this study are of secondary nature. They include literature (books, articles in academic journals, newspapers and encyclopaedia) resources and statistics (from National Bureau of Statistics (NBS), World Economic Forum (WEF), World Bank, International Monetary Fund (IMF), UNDP, Department of Statistic, Malaysia (DSM), etc. of significance to the study.

#### **1.3.4. Data Analysis**

The logic of triangulatory approach guides the process of analysing the research data. The two methods combined are descriptive statistical and thematic analyses. Thematic analysis was used to reveal both manifest and latent themes that shed light on the research problems from textual data (Braun & Clarke, 2006). The justification is that thematic analysis provides “a flexible and useful research tool that guarantees rich and detailed, yet complex, account of data (2006, p. 78). The statistical data were analysed using simple percentages and averages as well as tables and charts to demonstrate trends for the themes.

#### **1.4. Significance of the Study**

The general purpose of the study is to explore the importance or relevance of state-led developmental approach of developing nations to meeting development concern in contemporary age. This objective touches on the perennial problem of statist verses neoclassical approaches to development. While the study does not seek to vindicate or victimize any of the approach, it demonstrates that even in the face of increasing emphasis on market-led growth and development, the institutional state remains decisive in shaping national economic performance. Particularly, the study highlights that effective state apparatus is most needed by developing countries whose effort to meet MDGs have been marred by institutional ineffectiveness and inadequacies. Consequently, the study design draw samples from one state in East Asia and another from West Africa for a comparative study. The reason is to demonstrate the usefulness of the theoretical lens of DS for contemporary development analysis. However, a crucial question in this task concerns the problem of transferability.

In recent time, the East Asian Miracle seemed to be forgotten or given lesser treatment. This is partly due to the 1997 economic crisis of the region (Hayashi, 2010; Wong, 2004, p. 345). But more importantly, analysts (including policymakers from Africa) dismiss the need to explore the success and the transferability of East Asian experiences (Mkandawire, 2001b; Sharma, 2014). The reason being that the context (social) and age (post-Cold War)<sup>7</sup> in which East Asian Miracle thrived is quite different from what many developing countries face in the contemporary global political economy (Evans, 1998, p. 98). Bräutigam (1994, p. 111) further explained that evaluating the relevance of East Asian NIEs’ “experience is fraught with

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<sup>7</sup> Hayashi (2010) writes of a situation in which the exchange of economic support for political commitment was extended to the East Asian countries during the Cold War. In contrast to this era, the US is now strongly demanding that countries “open their economies and implement trade, investment and capital liberalization”. For this reason, Hayashi contends that the likelihood that emulators of the East Asian experience will enjoy same favourable international conditions that gave success to the East Asian countries during the Cold War is slim.

difficulties associated with making cross-regional comparisons especially when it has to do with different epoch and preconditions”. Consequently, it is argued that “the developmental state is in decline as government officials have much fewer policy weapons today” Hayashi (2010).

These concerns cannot be underestimated. However, for the East Asian financial crisis, it is instructive to note that it was much a consequence of the countries’ failure to respond to globalization in a proper manner (Hayashi, 2010, p. 65), and not necessarily the failure of a DS. As Stiglitz (1996, p. 254) argues, prior to the crisis, the East Asian countries were selective in which policies they adopted, in the pacing and sequencing of reforms to suit their domestic needs. However, in the 1980s, some of them “succumbed to international pressure for capital market liberalisation, the freeing up markets to the movements of short-term speculative capital in and out of the country, and paid dearly for this mistake”. To this, Ohno (2000) suggests that what is critically important for developing countries in the globalisation era is the ability to promote international integration in the way they choose, rather than passively accepting international pressures (in Hayashi, 2010). That is, it is their strategic, not *laissez-faire* attitude to international market forces that would count in the favour of developing countries<sup>8</sup>. This is not inimical to the practices of DS.

Without going into too detailed reply to the above concerns<sup>9</sup> then, as significant as they may seem, they do not rule-out the possibility that Nigeria, not least other developing economies, stands to benefit from studying East Asian success. Thinking along this line, Bagchi remarked that developmental state is not dependent upon a particular historical era, and was actually “born long before anybody thought of naming it” (cited in Joshi, 2012, p. 359; also see Caldentey 2009). Some examples include the Netherlands in the sixteenth and seventeenth centuries, Britain from the sixteenth to mid-nineteenth century, Germany in the late-nineteenth century and Japan since the Meiji era. And in recent time, developing countries like South Africa have even given public affirmation to the practice (Edigheji, 2010, p. 1) not to mention the relative success of the application in the Southern African countries of Botswana and

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<sup>8</sup> In light of Chang (2003) argument, it is unfortunate that what developed countries are recommending to developing countries today are not the same policies and institutions that got them to where they are now. “What they are doing is kicking away the Ladder by which they climbed up to the top beyond the reach of the developing countries” (Hayashi, 2010).

<sup>9</sup> For insights on this, see Hayashi (2010).

Mauritius. The point is that the effectiveness of a theory while it is relative to context nevertheless transcends it by the virtue of its generalizability.

Similarly, what is proposed in this research namely, transferability of lessons, is not a novel practice. In the 17<sup>th</sup> century for instance, Josiah Child, a former governor of the British East India Company preached to Britain to learn from the Dutch progress (Dadzie, 2012, p. 15). Other developed nations followed suit in this developmental-catch-in. Hence, the argument about being endogenous and time conscious in terms of developmental design should be held with caution even as it is commendable. Taking this in, Brautigam (1994) has explored the possible lessons that Africa in general can learn from Taiwan and in many respect, his exposition is significant. Similarly, this study explores the relevance of Malaysian developmental experiences for Nigeria.

Importantly however, the study does not aim to prescribe any form of Asian model as a procrustean bed for developing economies in Africa or elsewhere, not least Nigeria. Rather, it aims to emphasise the point that East Asian story demonstrates the importance of building resourceful institutional structures as crucial aspect of developmental project. This is why the choice of a case-oriented comparison as a method was chosen for this study. Explanations which it offers are largely narrative and have less interest in generalization (della Porta, 2008, p. 207). Consequently, the insights derived from the explorative studies present meaningful suggestions as to how states in developing nations might be positioned to optimise their economic performance.

To a large extent, studies on DS as it relates to sub-Saharan Africa countries have focused on Africa in general (Bräutigam, 1994; Dadzie, 2012; Kevane & Englebert, 1999; Mkandawire, 2001b, 2010; Platteau, 2009; Sindzingre, 2006) and Southern African region in particular (Chang, 2010; Edigheji, 2010; Fine, 2010; Kebonang & Kebonang, 2013; Turok, 2010). There is however, insufficient scholarships that contextualises developmental state discourse for Nigeria and in comparison to an ASEAN NIEs that shares similar features with the country as Malaysia does. Hence, this study is an attempt to fill this gap.

## **1.5. Structure of the Study**

The progression of the study is as follows. The next chapter reviews extant literature on the research problems and explores how scholars engage in the discourse of development from a general level and secondly as it concerns Malaysia and Nigeria. Chapter three looks at the



developmental trajectories of Malaysia as a control case while chapter four does same for Nigeria. These two chapters are rather descriptive. And they are followed by chapter five which examines the institutional factors in both countries' developmental experiences. The chapter moves from mere description to analysing the two cases as they are compared. Their similarities as well as differences are examined. But more importantly, how each state institutional qualities affect the country's development process is examined. Chapter six then explores the implication of the study for development discourse in Nigeria. Specifically, this chapter addresses Nigeria's state institutional factor-problems and argues for a reorientation of the state to development commitment. Lastly, chapter seven provides a synopsis of the dissertation, key contributions that the research makes to the general discourse of developmental state, and recommendations and suggestions for further research.

# CHAPTER TWO

## Reviewing Extant Literature

*“The quality of governance matters to the advancement of human development. Integrity, accountability, and responsiveness in governance are the foundations for sustainable and inclusive societies”.*

*Helen Clark<sup>10</sup> (2014)*

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<sup>10</sup> Clark is the first woman to become an administrator of UNDP upon resumption of the office in 17 April 2009.

## **2.0. Introduction**

This current chapter reviews literature on the relationship between institutional factors and economic growth and development. The focus is on how the relationship exists in the countries of Malaysia and Nigeria. The chapter demonstrates that enormous studies in development correlate the efficiency of institutions to economic performance. It begins by looking at how different key concepts central to the consideration of this study are conceptualised in literature. They are “growth”, “development”, “institution”, and “state”. The exercise operationalises these concepts to aid the general discourse of the research. Section two interrogates the relationships between these concepts with reference to the countries of Malaysia and Nigeria. It answers the question: how do existing literature explain development in relations to the role of institutions in these countries with a focus on the state as a principal? The third section states the direction for the present study.

### **2.1. Prevalent understanding of relevant concepts**

Understanding the role that efficient institutions play in economic performance presupposes articulating the sense in which the term “institution” is employed and also calls for delineating what is taken to be economic performance. These tasks are considered in the following subsections.

#### **2.1.1. Conceptualizing “Growth” And “Development”**

The concepts of “growth” and “development” are today, very ubiquitous. They have both been persuasively used to pursue different agendas across the globe as they are together taken to be a simulacra of change for better, a transition from a previous disadvantaged point to a promising state. This sense comes out in Misra and Honjo’s (1981) observation that policies and strategies used to promote development often are a reflection of what the “developed nations” wants the “developing countries” to do. Often times, while rushing to execute agendas for “transformation”, the drivers fail to articulate “what”, and “who” the growth or development they advance is meant (Spence, 2009, p. 86). But while the two concepts are often used interchangeably because of their relatedness, there are not the same, and within literature there are no universal definitions for them (Alkire & Deneulin, 2009b, p. 86).

Growth has been described as an “increase in the size of a unit, usually a country, expressed in terms of its gross national product [GDP] (the total of goods and services produced within a

given period, allowing for depreciation) in relation to the number of inhabitants” (Perroux, 1983, p. 26). This definition measures the wellbeing of a country quantitatively and is akin to GDP (gross national product) growth analysis. Qobo (2013, p. 430) articulates this traditional view very well: “raising income per capital is generally seen in economic orthodoxy as a proxy of how well people live”. Thinking about this draws attention to the concept of growth measurement which weighs changes in the nature of a system being evaluated. In other words, for there to be growth, there has to be a shift in the size of a unit from a particular noted point to another. This idea of change in size which is procedural, if rightly considered, is not homothetic. Hence, a growth of one section does not necessarily equal the growth of the whole considered.

The idea of integrated growth is important for this study’s consideration. Unfortunately, it is often missed by economists whose focus is on particular section of a country considered in isolation. Perroux (1983, p. 27) points this out in his argument that “growth is rightly considered to be concomitant with all structural changes”. The sense is that when sectional growth is evaluated and reported, the tendency to overlook the overall picture of the system which nevertheless works together is high. Thus, it is becoming glaring that quantitative measurements of growth has shortcomings (Alkire and Deneulin, 2009b).

Perroux (1983) alludes to problems arising from statistical data itself and also national accounting procedures. For instance, Nigeria had to rebase its statistical formula in 2013-14 in order to be up-to-date with its GDP accounting. Such an exercise aimed at reorganizing statistics to approximate reality points to a limitation of growth measured in quantitative terms. Devarajan (2013, p. S11) highlights other problems associated with statistical procedures (particularly in Africa) namely, weak capacity, inadequate funding, and a lack of coordination of statistical activities. He also adds that there is a political sensitivity to statistics, and the tendency of some donors to go round countries’ own National Statistical Development Strategies (NSDS). For instance, given the importance of census in measuring growth and inequality, Devarajan argues that considering political strategies have led to some situation in which constituents inflates their head-counts for gain. Alkire (2010) also points out some reasons why GDP and growth reports are not adequate metrics of well-being. (1) GDP does not reveal equity nor the structure of growth in a country; (2) it does not reflect the liability on the earth’s resources; and (3), income rise “is not the sum total of human life” or goal – there are other things, health, knowledge, livelihoods, relationships, safety, political freedoms etc.

(Alkire, 2010, p. 23; Spence, 2009). The foregoing indicates a shift in the conception of socio-economic change from a narrow quantitative approach to other things as well.

While economics' talks about growth is persuasive, especially to investors and policymakers, its failure to give accurate picture of social reality is increasingly been highlighted. This is indicative of the debate that economic growth is not the same as making development progress (Alkire, 2010). In fact, Perroux (1983) maintains that growth can occur without development in the sense that a nation can have robust figures with little effect of that reflecting on the citizens' well-being. This thinking has engineered new thought on economic progress.

Gilbert Rist's (2008) thought on "development" provides a useful starting point. He argued that attempting to define development usually carries certain "presuppositions". There is the belief that development connotes a catching up with the industrialized countries termed as "social evolutionism". Another is "individualism" which he analysis as being focused on the human beings. Here, he alludes to Julius Nyerere's speech on development as "a process which enables human being to realize their potential, build self-confidence, and lead lives of dignity and fulfilment" (Rist, 2008, p. 8). Rist further outlines that some definitions also take normative position as in "what should happen". Others take it to be instrumental considering instead, the purpose that a particular developmental agenda is intended to serve. Then there are those who add "intensifiers" like "more democratic and more participatory" suggesting a normative consideration on the forms that transformation occurs. Whichever way one considers these views, there is a sense in which development has the human person as its focus<sup>11</sup>.

The above conclusion has been less emphasised in most economics literature. As Qobo (2013) argues, much of development discourse have rarely made shift from the orthodox view which is essentially tied to the Washington Consensus. Instead, most policy prescripts give emphasis to "fiscal discipline, reorientation of public expenditure, tax reform, interest rate liberalization, unified and competitive exchange rates, trade liberalization, openness to direct foreign investment, privatization, deregulation and secure property rights" (Qobo, 2013, p. 241). This view which places emphasis on "aggregate figures" often misses the human oriented approach to development. Consequently, the pursuit of quantity becomes the drive for development. In another sense, obsession with *outcomes* as the measure of growth which the GDP approach entails disregards *process*. This is because outcomes are easily quantifiable in the form of

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<sup>11</sup> This is more so in the post-Human Development Report of 1990 which re-orient development focus on the human person (see Alkire, 2010).

indicators unlike processes which take into consideration, ideas, values (e.g. freedom, depth of participation), the kind of institutions, and the nature of social relations required to empower citizens over time (Qobo, 2013, p. 340). But as Amartya Sen (1999) argues, development must entail expanding human freedoms, choice and capabilities. This is broader than the orthodox conception which narrowly prioritise GDP, rise in personal incomes, industrialization and modernization.

The foregoing indicates that human development and not economic growth is the goal and hence, the priority of social change. Here, human development is defined as “enlarging people’s choices in a way which enables them to lead longer, healthier and fuller lives” (Ranis *et al.*, 2000, p. 198). This broader definition includes “material well-being, education, health, personal activities (including work), political voice and governance, social connections and relationships, environment, and security” (Qobo, 2013, p. 346). The availability of these in a particular area provide opportunities for individuals to advance in wellbeing.

Poverty reduction is significant to advancing development. Conceivably, this explains why it topped the MDGs’ list and is portrayed as the “super-goal” (UNCT & EPU, 2011). Extreme poverty for instance, was given recognition as a threat to sustainable human livelihood at the 1995 World Social Summit held in Copenhagen (Nweke, 2012, p. 7). Consequently, world governments resolved to half the number of the people living on less than US\$1 per day by 2015 while declaring MDGS.

The understanding underpinning the commitment on the world governments in this respect presupposes that poverty deprives people of the necessities to lead flourishing life. Note that poverty” is a highly contested term (Oshewolo, 2011). Conceptual differences can be attributed to the fact that the nature of the deprivations, and social-economic conditions that cause them varies from community to community. This sense of complexity is implied in the UNDP (1997, p. 17) conceptualisation that “human poverty includes many aspects that cannot be measured or are not being measured”. Thus, poverty as connoting deprivation is essentially multifaceted.

However, at the analytical level, there is a sense in which poverty can be considered relative or absolute. At the relative level, poverty is defined in reference to the living standards of majority in a given society (NBS, 2010). In the absolute sense, poverty is defined in terms of the minimal requirements necessary to afford basic standards of food, clothing, healthcare and shelter and are adjusted for comparison over time and place (Alkire & Santos, 2009, p. 133). The World Bank poverty line of (lower threshold) US\$1.25 a day and a (higher poverty line of US\$2 a

day) exemplifies the latter measurement. Persons whose income fall below the threshold are considered poor. In all, development approach is meaningful to the extent that it tackles the problem of poverty.

The *capability* approach which the foregoing underscores focuses on the qualitative processes and outcomes. The approach captures well-being beyond the limits of GDP approach. Capability approach recognises the multifaceted dimensions of development which include the “material well-being, education, health, personal activities (including work), political voice and governance, social connections and relationships, environment, and security” (Qobo, 2013, p. 346). In this conception, both social inclusivity and the environmental concern of development are recognized. Thus, analysis of a country’s development would fare well to embrace these elements. This latter conception of development are aligned with the *Human Development Approach* of UNDP.

Central to the conception of human development or capability approach as espoused in the various UNDP HDR (1990-2010) is the focus on the human person. Several of the agency’s report affirms that “people are the real wealth of nations” (UNDP, 2004) and considers the “centrality of people explicit” (Alkire, 2010, p. 23). Alkire provides useful analysis of the conceptual threads of human development that run through the various reports over the years. The three dimensions of development she identifies are:

- a) **Well-being** (*opportunity freedom*) – “a focus on expanding people’s real freedoms, enabling people to flourish”
- b) **Agency** (*process freedom*) – “supporting people and groups as actors; helping them to help themselves”
- c) **Justice** (*plural principles*) – seeking to expand well-being and agency in ways that expand equity, sustain outcomes across time, respect human rights, limit environmental destruction and respect other goals of a society” (Alkire, 2010, p. 23).

This approach promises a holistic understanding of development in that it emphasises the advancement of human well-being as capability, the role of agency, and the guiding principles of the process of attaining development (Alkire & Deneulin, 2009a). In this sense, “the evaluative space for human development remains people’s lives and capabilities” (Alkire, 2010). But this are guided by the procedural principles of equity, efficiency, participation and sustainability (Alkire & Deneulin, 2009a).

The need to pursue all-rounded economic development becomes lucid when economic growth and human development nexus is considered. On this, Ranis *et al.*'s (2000) analysis shows that economic growth and human development are connected in twofold: there is the chain from economic growth to human development and vice versa. For example, increases in economic growth can provide the resources that permit sustained improvements in human development. But also, an improvement in the standard of living which also include the quality of the labour force has significant bearing on economic growth (Stewart *et al.*, 2000). The mutual reinforcing relationship between the two can produce either virtuous or vicious cycles, with good or bad performance for different countries at a particular given period (Ranis *et al.*, 2000). Worthy to note that the link between the two is not automatic (Spence, 2009). The empirical analysis advanced in Ranis *et al.*'s (2000) research shows strong sequencing implications such that countries initially favouring economic growth lapse into the vicious category while those with good human and poor economic growth sometimes move into the virtuous category. Contrary to what is often the practice, they recommend that where choice is necessary, human development should be a country's priority in the sequencing.

The foregoing analysis favours the capability approach. It broadly goes beyond GDP measures to include conditions such as access to health, education, safer environment, freedom of expression and other conditions that favours the human person to *function*<sup>12</sup>. These indicators provide the basis for evaluating both Malaysia and Nigeria's developmental experiences as both countries advances MDGs<sup>13</sup>. Against this background, the present research assesses the manner in which the two countries have attempted to appropriate the economic, social and environmental concern of development. Since the particular interest of the study is on the *process*, qualitative assessment of institutions as vital agents of development is crucial. The next section turns to the concept of 'institution'.

### **2.1.2. Institution and Economic Performance**

There is a resurgence of scholarly interest in the significance of institutions as factor shaping economic performance. For instance, empirical studies done by Evans and Rauch (1999), Nelson and Sampat (2001), Henderson (2002), North (2003), and Edigheji (2010) demonstrate

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<sup>12</sup> In capabilities approach, this concept means the ability of people to do what they value and have reason to value.

<sup>13</sup> MDG was born out of the Millennium Declaration that was agreed upon by heads of states in 2000 (see Alkire 2010, p. 31). As Alkire argues, MDGs are a particular quantitative articulation of some core human development priorities reflecting sets goals for a specific time and place (has the limit of 2000 to 2015). And for this reason, MDGs are arguably, an application of human development.



how specific institutional attributes of a developmental state impact on socio-economic outcomes. Recognising that institutions have always mattered, Nelson and Sampat (2001, p. 32) argue that this renewed interest in institutional factors demonstrates “a growing conviction that satisfactory understanding of economic performance requires going beyond the lean logic of at least stripped down neoclassical theory”. Echoing similar frustration with pure *laissez-faire* economics, Edigheji (2010) avers that the 2008-2009 global crisis points to the claim that unfettered market operations can be unsustainable in the long run both for the human well-being and the markets. These and similar reasons have now generated an agreement that institutions are an important factor involved in economic growth and development (Nelson & Sampat, 2001, p. 39). Meanwhile, the renewed interest in institutional capacity faces conceptual challenge.

Aside broader agreement, the content of the concept is problematic with scholars like Nelson and Sampat (2001) arguing that the term institution has not been established coherently. From a review of literature, they argue that for some, the term is broadly used to refer to “standardized behaviour patterns” in a society. Others designate the term as “factors and forces that constrain or support these patterns of customary behaviour, like norms and belief systems, or the rules of the game, or governing structures” (Nelson & Sampat, 2001, p. 38). Taken these pluralized conception into consideration, institutions can be organisational structures, rules, and norms; but also factors affecting these entities (Hodgson, 1998). Examples could be financial institutions, educational institutions, and family as institution, traditional rites and even specific firms as constituting institution. At a generic level, March and Olsen (2004, p. 734) have categorized institutions into social, political and economic. Obviously, this plethora of conception of the term calls for delineation for the purpose of this present study.

Institutions influence, or define the ways actors get things done in contexts involving human interaction and this is most true for economic activities. This is understandable given that economic activity is a function of human society that is inherently characterised by culture<sup>14</sup>. Institutions as *rules* and *norms* both formal or informal do have bearing on how, when, and what economic activity society engage in<sup>15</sup> (North, 2003, p. 50). Although some economists consider the act of commerce as a private behaviour, the conditions in which commercial

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<sup>14</sup> To emphasis this point, Hodgson (1998) asserts that “we are all born into and socialized within a world of institutions”

<sup>15</sup> For North, norms are informal constraints on behaviour that are in part derivative of formal rules; and as such, are the extensions of the latter (North, 2003).

activity takes place is beyond what individuals can set. Neoclassical economists have long missed this point in their assumption that “exchange process is costless”; and as such, institutions do not matter (North, 2003, p. 48). But as North highlights, classical international trade theory has demonstrated how such assumption is incongruent with the real world.

Consequently, North (2003, pp. 48-49) argues for the necessity of institutions in a world of specialized interdependence where individual’s well-being depends on a complex structure by exchange ties that extend beyond time and space. In such a state, the costs of transacting are inevitably high. This is because setting the measures of exchange and enforcing the terms would be costly for individuals to bear. There would be room for parties to cheat, shirk, or engage in opportunism in order to turn the outcome to individual’s advantage. To avoid this, North asserts the relevance of a third party, namely the state, designed to specify terms of exchange and enforce them. When this is properly done, the belief is that everyone would be better off. In this sense, North spells out the function of institutions. Essentially, they reduce uncertainty which characterises the complexity of human interaction, and hence guarantees stability where growth and development can flourish. In similar sense, Rutherford (2001, p. 187) argues that institutions have generally been analysed as ways of reducing transactions costs and uncertainty, internalising externalities, and producing collective benefits from coordinated or cooperative behaviour.

Following North’s analysis of institutions which is specifically concerned with political institutions that shape economic outcomes, there is now a talk on favourable market environment (Agboli & Christian Ukaegbu, 2006). In this context emerging consensus identifies the role of the state as important in the creation and sustenance of an ameliorative business environment or favourable conditions for economic growth and development (Sindzingre, 2006, p. 17). In line with this consideration, this study is primarily concerned with political institutions. It is narrowed to the state and its capacity to facilitate national development process. As it has been argued elsewhere, the state in its broadest sense is the institutional representation of the society (Agbaje, 2011, p. 7). As such, it is both conceptually and practically unreasonable to think of a better way to achieve broader national development without due consideration of its role. The following sections then go on to articulate prevalent discourse on the state and its capacity to advance development.

### 2.1.3. The State In Relation To Development

Conceptualizing the ‘state’<sup>16</sup>, Agbaje (2011, p. 3) asserts that it is “a generic organs whose existence permeates and conditions every facet of the social system from major components such as the bureaucracy to more abstract attributes such as the behavioural dispositions of citizens”. The focus on state in political studies concerns the notion that it provides organisation, a form of control and order within society. Hence, in a more traditional sense, Weber (1991, p. 78) defines it as “a human community that (successfully) claims the *monopoly of the use of physical force* within a given territory”. In this Weberian definition, the distinction between the state as an apparatus of force bearing control within a given territory and the society of that territory is not so clear, but it already indicates the dynamics of state-society relation. Note however, that the definition somewhat askew power to favour the state as the control engine (Routley, 2012, p. 6).

But in recent time, shift is being made to consider the intricate mutual composition of state and society. Attempting to make the distinction glaring, Trouillot (2001, p. 127) implies the state to mean “something which is beyond merely government, but which does not encompass the whole of a country”. Borrowing from this, developmental literature perceives state to be inclusive of the executive, legislative and judicial, the bureaucrats and ministries, and their functions (Routley, 2012, p. 6). While in this sense, business, civil society and political society tend to be considered as being outside, the traditions of developmental literature following Evans’s (1995) work on embedded autonomy now considers the success of developmental state as dependent on the particular form of state-society relations in which the society is not just passive receiver of the state power but also confers legitimacy on the state (Routley, 2012). This is the sense the proposed research appropriates. The state is understood as *those institutions of elected and appointed officials directly responsible for formulating and implementing public policy and whose effective function lies in their autonomy negotiated through citizenry participation that legitimizes their authority*. This conception of state de-emphasises the bifurcation of the government and citizenry, and considers the rules and norms guiding their relationship as important.

Broadly speaking, there are two dominant historic ideological dialectic construing state-society relation: liberalism and Marxism (Agbaje, 2011; Harris, 1980). The former considers the state

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<sup>16</sup>Needless to say that the state as a term is highly contested (Routley, 2012, p. 6)

as a neutral organization whose function it is to protect and advance the interest of all. Economically, it desires little involvement of the state in the affairs of commerce (especially its neoliberal variant). By emphasising the individual agency as having the capacity to acquire power, skill, property, and profit; the state is relegated to simply providing room for the individual's actualization of potentials without hindrance from other people and the state. A reminiscence of the view is reflective in the "disengagement" neoclassical thesis that strongly advocate the practice of "privatization" and which at the generic level calls for the abolition of the state (Agbaje, 2011; Sindzingre, 2006).

It is ironic that although liberalism in principle has novel intention for human beings<sup>17</sup>, its political and economic structures that is often oppressive and exploitative leads to the exact opposite (Buzuev, 1987, p. 7). In contrast, Marxist analysis finds state wanting because of its propensity to become the instrument of those who own and control the means and object of production. But instead of advocating for the outright abolition of the state, Marxism critically interrogates the "modus operandi" of the liberal state locating its decayed and corrupted conscience for redefinition and reformation (Agbaje, 2011, p. 4). Key findings in this quest concern the defect of state institutional logic (surrendering the control of the social systems to the whims and caprices of individual capitalists), and operational deficiencies (poor and asymmetric distribution of wealth). Thus, Marxists critique *laissez-faire* policy for allowing capitalists to accumulate unmerited profits at the expense of the proletariat who toil longer in exchange for subsistent wages. The sense is that free market with its logic has little place for wealth distribution but instead concentrates it in the hands of the few (Dassah, 2011). For Marxists then, the state intervention is paramount. In particular, to solve the problem of inequality, the state should own and control the means of production. This view as pointed out by Schiller (2000, p. 13) is at the extreme and it is seldom welcome today.

But in the state-society cum economics mix, argument favouring any side at the expense of another is misplaced. Emphasis on either private or public sector cannot be pushed too far because with the acceptance of some form of planning by every government, the state plays roles in guiding, directing, controlling and even undertaking various industrial projects (Agbaje, 2011). The foregoing demonstrates that in either way, the state is undeniably a substratum that underpins any form of economic arrangement in a country. Of course, variation exists as to the degree for which the state is allowed to intervene. But even that decision, in as

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<sup>17</sup> Such as to reduce poverty and ultimately to abolish it, to create conditions that better living standard etc.

much as it is political is essentially a state interference. Hence, Agbaje (2011, p. 7) notes: “the state, in the broadest possible definition, remains the institutional representation of the society”. But what qualifies one state to be developmental and another non-developmental? Or put differently, in what capacity do states facilitate development?

#### **2.1.4. The Concept of Developmental State**

The questions above presuppose some quality as central to a developmental state<sup>18</sup>. Borrowing from Vu’s (2007, p. 38) work Routley (2012, p. 8) offers a useful working definition of a developmental state as one which possesses developmental structures understood as *capacity* to produce “developmental roles”. He argues that with a sufficient “state capacity” combined with “developmental vision”, a developmental state is effective in its targeted areas whence it chooses to use its resource to work towards economic development. In similar tune, other studies identify the ability to promote and sustain development as a feature of developmental statehood, and the source of its legitimacy (Castells, 1992; Pronk, 1997). Evident from this analysis is the recognition on the one hand, of developmental structures (institutions), and on the other, developmental roles (creating and sustaining a policy climate conducive to productive investment, exports, growth and human welfare) (Dassah, 2011, p. 592).

Studies on East Asian miracles provide four attributes of a developmental state structures. There are (1) “a capable autonomous” but also embedded bureaucracy; (2) “a political leadership oriented towards development”; (3) a close, often mutually beneficial symbiotic relationship between some state agencies and key industrial capitalists; and (4) successful policy interventions which promote growth (Routley, 2012, p. 8; also see Wade, 1990; Evans, 1995, Musamba, 2010; Fritz & Menocal, 2007). Possession of these attributes and a resultant demonstration of results is what qualifies a state developmental. In fact, the latter is primarily why most East Asian states became identified with DS.

But identifying a developmental state based on achieved result begs the question of how to recognize a developmental state prior to their attainment of successful growth (Fritz & Menocal, 2007, p. 534). Hence, Mkandawire (2001, p. 290) argues that for developmental state to be useful as a concept, there has to be room for the state to be developmental without necessarily achieving economic growth perhaps, due to externalities. It makes sense to say that for there to be a successful developmental state, the possibility of a state failing to achieve its

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<sup>18</sup>To underscore the ambiguity of the term developmental state, Routley (2012) referred to it as a “buzzword” used to describe “all things to all people”.

developmental vision must be guaranteed. In Routley's (2012, p. 9) words, this "allows for failure, [and] makes the definition of developmental states less tautological". Also, this creates room for identifying and consolidating a developmental state that is in potency. More importantly, accentuating the concept of developmental state as a tangible as well as potential phenomenon allows the present research to examine the usefulness of the theory to both Malaysia and Nigeria's experience of development irrespective of their success rates.

## **2.2. Extant Literature on Malaysia and Nigeria's Development Experience**

Literature on Malaysia's developmental history suggest that the country's profile fits well into the definition of developmental state described earlier. Particularly, developmental successes it has achieved has forced observers to categorise it as a developmental state (Snodgrass (Case, 2005; Page, 1994; Snodgrass, 1995). Although Malaysia's economic growth rates is not as robust as the famously celebrated Northeast Asian economies such as Japan, Thailand and South Korea who have become faces of developmental state literature, its impressive sustained economic growth which was achieved alongside equitable redistribution of wealth makes it stands out among other East Asian NIEs. Naguib and Smucker (2009, p. 104) for instance reports that between 1970 and 2000, a period of 30 years, Malaysia maintained a stable economic growth of an average of 7%.

The characteristics that set Malaysia's relative success stories apart from the much celebrated and extensively studied Northeast Asian NIEs has been subject of research (Snodgrass, 1995). In fact, a research unit formed by the Harvard Institute for International Development (HIID) and Institute of Strategic and International Studies in Kuala Lumpur (ISIS Malaysia) has this objective as research focus. The differences they highlighted are that: (1) Malaysia's developmental success was made amidst heterogeneous population rather than the homogeneous one associated with Northeast Asian NIEs; (2) Malaysia engaged in public sector expansion and did not follow the pattern of Northeast Asian NIEs' small public sectors; and (3) there is a significant presence of natural resources within Malaysia' economy unlike the Northeast Asian NIEs (Snodgrass, 1995, p. 1-2). It is particularly insightful that these conditions which have tended to affect economic growth and development negatively in other countries were well managed by Malaysia's developmental craft to produce impressive results that are now envious stories for other developing nations. In fact, between 1970 and 1990, it was rated as one of the ten fastest-growing economies in the world (Snodgrass, 1995, p. 3). What is more, this success story was achieved when the government was aggressively

implementing NEP's ambitious affirmative action program born out of the political composition of the state.

As Leong (1992, p. 205) remarks, Malaysia is fundamentally a "plural society" in the Furnivallian sense<sup>19</sup> – its ethnic boundaries coincide with economic and social spheres and institutions. The political landscape of the country demonstrates this plurality. For instance, the Alliance which ruled the country from 1957 to 1972 was a coalition of political parties made up of the United Malays National Organisation (UMNO), the Malaysian Chinese Association (MCA), and the Malaysian Indian Congress (MIC). The coalition, although dominated by UMNO, is marked by ethnic difference. It was later expanded after 1972 to include other smaller parties and was renamed the National Front (*Barisan Nasional*) but continues to maintain its ethnic diversity. More importantly, while the *Bumiputeras* (the Malays and other indigenous groups) have the political sphere as their dominant area because of their share numbers, the Chinese and the Indians control much of the nation's economy. Naguib and Smucker (2009, p. 102) argues that this ethnic association with particular trade was traditionally inherited from the colonial system. The system came to entrench not only ethnic segregation by occupation but also unequal income distribution in the growing Malaysia's economy (Case, 1993, p. 184).

Consequently, Snodgrass (1995, p. 2) argues that Malaysia has for long faced the challenge of "creating a common nation among the major ethnic groups that are deeply divided along economic, social, cultural, and religious lines". With the hindsight that market is in practice imperfect, Malaysia's statesmen intervened in the market process to correct what they perceived was a historical wrong. Leong (1992) assessed the two policy instruments the government used to achieve this goal. They are the New Economic (NEP) and National Development Policy (NDP). The remarkable features of these instruments concern their emphasis on both growth and redistribution. Leong's (1992) conclusion from the exercise strongly shows that Malaysia's policy formulation is a highly bureaucratic act that is principally coordinated from the political leadership at the Prime Minister's Department<sup>20</sup>; and thus suggests the institutional elements that drive Malaysia's developmental success. The details

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<sup>19</sup> It is a model of cultural pluralism that describes the constituent groups as bounded and discrete and the society as non-egalitarian politically and economically. While this may have been useful in describing Malaysian society in the years of independence, as it would be shown later, through policy interventions, the cultural asymmetries are rapidly closing down.

<sup>20</sup>Malaysia practices parliamentary democracy that is patterned after the British system; hence, its executive officer is the Prime Minister<sup>20</sup> who oversees the day-to-day process of policymaking and supervision (Leong 1992).

would be fleshed out in subsequent chapters. Suffice to note here that the significance of Malaysia's success story in DS literature concerns the pursuit of growth with equity. As Snodgrass (1995, p. 1) argues, this particular element of redistribution sets Malaysia's developmental experience apart from not only the traditional Asian Models (Taiwan, South Korea, Hong Kong, and Japan) but also from the other Southeast Asian NIEs like Singapore. This strategy stands at odd with orthodox view that abhors state interference with market. But in Prime Minister Dr Mahathir Mohamad's words, "the strategy proved very successful in creating jobs and generally developing the country" (cited in Naguib & Smucker, 2009, p. 103). In what sense is this development comparable to Nigeria?

In the Nigerian case, literature rarely attribute developmental state status to the country. Unlike its hegemonic rival (South Africa) which has gone so far as to profess a commitment to developmental state paradigm (Edigheji, 2010, p. 1), Nigerian statesmen have been slow to give vocal recognition to the vision of DS. Nevertheless, within DS literature that focus on Africa, references are made about Nigeria as instances of where state apparatus have been ineffective in directing a broad-based and inclusive growth and development that is central to developmental state (Aiyede, 2009; Agbaje, 2011; Kebonang and Kebonang, 2013). Thus, Kebonang and Kebonang (2013) appraised Nigeria's developmental experience alongside countries like Zimbabwe, Botswana and Indonesia. While placing the last two countries as cases where features of DS have been approximately appropriated, Nigeria and Zimbabwe are depicted as instances where state machineries particularly, the leadership whip, is blamed for the low records of development within these states. The authors' claim is premised on the importance of political leadership that places national rather than self-interest as priority in governance; and thus capacitated by that, is able to exert overwhelming influence on the process of development (Kebonang & Kebonang, 2013, pp. 2-4). Their focus on Nigerian political leadership draws the conclusion that mismanagement, corruption and self-interest of political leaders have slowed down the evolution of the development of a country richly blessed with natural resources. But it is not only Nigeria's political leadership that draws attention of developmental literature.

Eme and Ugwu (2011) examination of Nigeria's developmentalism argues for the place of bureaucrats as important elements in the process of achieving development. The study draws on Chalmer Johnson's (1982) emphasis on "the presence of a small but professional and efficient state bureaucracy" as central element of DS. The bureaucrats are tasked to "provide



services, run projects, make rules and regulations and perform numerous other tasks in order to make development possible” (Eme & Ugwu, 2011, p. 42) . Focusing on the federal government bureaucracy especially during Obasanjo administration, the study argues that proficient bureaucracy that formulates and execute policy efficiently in coalition with the elites has been absent. Instead, the Nigerian Public Service is charged as “being: (i) lethargic and slow, (ii) insensitive and unreliable, (iii) unhelpful and wasteful, (iv) slow to change, (v) unresponsive and discourteous to the public, (vi) corrupt, (vii) over-bloated, (viii) insensitive, (ix) parochial and often ethnically-biased processes, contract award, etc.” (Eme & Ugwu, 2011, p. 47).

Also, the concept of meritocratic rationality as crucial feature of DS has received attention in the Nigerian context. For instance, writing on the political challenges to national development, Bariledum and Vurasi (2013) argue that political elite’s association with “elite’s ethnification of political process” undoubtedly affects public policy formation and implementations in the country. Singling out the popular demand of “we want our man in national politics”, they demonstrate how the practice negates meritocracy and sound developmental policy. Their recommendation is that national development can only thrive when government actively encourage national integration and eschew discrimination on the ground of place of birth, tribe, region, sex, language and political party affiliation.

This theme resonates in Aiyede’s (2009) examination of Nigeria’s federal character and its relation to development. His central argument is that the values guiding elite politics conflict with the requisites of national prosperity (Aiyede, 2009, p. 254). In particular, the principles of federal character<sup>21</sup> and that which allows the creation of new states introduced in 1979 and 1962 respectively to promote federal inclusivity have been turned into practices that are against national cohesion required to thrive national development. In this case, “institutions created to promote accommodation of the country’s diversity have been channelled toward corruption and waste, thereby undermining economic rationality in critical centres of decision-making” (Aiyede, 2009, p. 255). This practice separates citizenship from the government which in turn

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<sup>21</sup> Introduced into the 1979 Constitution, the principle seeks to insure that the composition of government and its agencies is not dominated by “persons from a few states, or from a few ethnic or other sectional groups” (Aiyede, 2009, p. 254-5). In many ways, this corresponds to the affirmative policy of Malaysia’s NEP. But in practice, Aiyede provides argument that demonstrates its capacity to undermine Nigeria’s developmental prospect.

stiffens government effectiveness and accountability to citizens to the extent that the phenomena promote opportunism where elites' practice of corruption is rarely challenged by the populace. The practice of corruption and how it stifles development, particular in Nigeria, has been given ample emphasis in literature under different names such as "godfatherism" and neopatrimonialism" (Bach, 2012).

Other literature examine the role of government in the promotion of entrepreneurial development within Nigeria. In this aspect, Adenikinju *et al.* (2002) explores the reasons for the poor performance of manufacturing industries in Nigeria alongside other three Western African countries (Cameroon, Cote d'Ivoire, and Senegal). With reference to Nigeria, the authors' emphasis on human capital accumulation as positively related to total factor productivity (TFP) growth is germane. Oluyemi and Adedeji (2012), Dumbili (2014), Olaniyan and Okemakinde (2008) and others have also examined the potentials that human capital development in Nigeria holds for the economic transformation of the nation. Their submission bemoan on historic neglect of the sector and the resultant poor quality of human development in Nigeria.

Furthermore, Adenikinju *et al.* (2002) emphasize the importance of physical infrastructure in relation to TFP growth. Presence or the lack thereof of functioning networks of roads, ports, energy production facilities, communication facilities etc. is known to have influence on investment decisions (Adenikinju *et al.*, 2002, p. 653). Where these facilities are in place and they function well, they improve communication, enhance efficiency, and decrease transaction costs, including transportation. In the case of Nigeria, they argue that infrastructural deficits constitute a vital challenge to manufacturing sector within these countries. For instance, transportation-related issues of "cost, availability, and quality" are reported consistently as a major problem (Adenikinju *et al.*, 2002, p. 653). Under these conditions, entrepreneurial activities suffer setbacks.

To sum it up, there is a general sentiment among scholars that the institutional capacity of Nigerian state has largely worked to slow development process in the country (Tersoo, 2014; Auty & Gelb, 2000; Odularu, 2008). Remark of this, Eme and Ugwu (2011, p. 41-2) asserts that "state-supported private industrial development; provision of a powerful and competent bureaucracy in implementing and negotiating investment decision"; and "corruption", have slowed economic progress in the country. The implication is that Nigerians have seen little

improvement in their living standards (Nweke, 2012; Oshewolo, 2011; UNDP-Nigeria, 2013; Anger, 2010; World Bank, 2011; Eme, 2014; Ojewumi & Ojewum, 2012; Yusuf, 2014).

### **2.3. The Direction of the Study**

Undoubtedly, factors accounting for economic growth and development are numerous. Rodrik, *et al.* (2004) broadly categorized them into three sets: geography, international integration (trade) and institutions. The present study recognises their importance. However, as the aforementioned study demonstrates, of these factors, institutions contribute the most to income rise and economic development. Mehlum, *et al.*'s (2005) empirical study drew similar conclusion. In particular, they point out how institutional failure correlates well with resource curse claim – that natural resource abundance is detrimental to economic development. Consequently, once institutions are controlled for, other factors tend to have weak direct effect on incomes variation and economic development. Informed by same believe, this study, brackets other factors and attempt to focus on the state as an institution in comparing Malaysia's developmentalism with Nigeria's.

The benefit accruing from the explorative study design is twofold. One, by focusing on the role of the institutional state as engineers of growth and development in the two cases, the study helps to find similarities and differences between the two countries' experience. The second point flows from the first. The exploration also draws lessons for Nigeria whose capacity to translate its economic potentials into meaningful and broader national development is yet to materialise. For this reason, the study tends to focus extensively on the strengths in Malaysian institutional state. This is not to say that Malaysian state presents a perfect model of DS or that it is devoid of flaws. Nor is it the case that the intentional focus on the Nigeria's weakness is meant to downplay the enormous strength it has demonstrated over the years. Rather, the intention is to profile what worked best in one society and see what the other society in which such contrary practice has affected the developmental progress can be contextualised. Were possible, both weakness and strengths are examined. But the general focus as stated above stairs the flow of the study.

### **2.4. Conclusion**

There is clearly a renaissance of interest in the relationship between institutional factors and economic growth and development. The reviewed literature on development in this chapter particularly shows that there is a general understanding that the nature of the relationship is positive. This however, is not to say that economic performance is only explainable by

institutional factors (e.g. ideologies, rule of law, bureaucratic quality, good governance). Rather, it is argued that once appropriate institutional measures are put in place, other factors tend to have weak direct effect on economic performance. The chapter identified that the state as a central institution is the unit of analysis for this present study.

On the dependent variables, while acknowledging variations in conception, the chapter delineate meanings considered as workable reference for this study. Consequently, the concepts of economic growth and development were considered as indicators of economic performance. Inadequacies were found with GDP measurement of economic performance. Alternatively, UNDP human development or capability approach which considers outcome and the qualitative aspect of social transformation, and emphasises the centrality of the human person in development process was adopted.

Also, the chapter reviewed scholars' interest in the developmental stories of both Malaysia and Nigeria with a focus on the role of institutions. It is suggested that Malaysia to a large extent, has been able to achieve landmark developmental goals. In particular, the state's capacity to formulate, implement and evaluate long term vision of inclusive development has been laudable. In contrast, Nigeria's story has been relatively different. Its political institutions have slowed economic development at the broader national level but have allowed individual interest to stand the way of developmental gains. It is this dynamic difference and other similarities that the remainder of this study attempts to explore more.

## **CHAPTER THREE**

### **Exploring Malaysia's Developmental Trajectories**

*“Growth with equity is the best recipe for accelerated human development” (Human Development Report, 1990)*

### **3.0. Introduction**

Malaysia's developmental contour presents an interesting feature: it centers on the ability of a state to manage upward growth alongside significant "development" understood in the "capability" tradition. The relatively small multiracial and semi-democratic state whose economy in the early 1960s was heavily dependent on primary commodities but export-oriented has been able to build a robust diversified economy that has been adjudicated in economy literature as success (Athukorala & Menon, 1999). The growth is recorded against a background of increasing internationalization of production and trade. With a pragmatic approach of a policy mix, Malaysia while not isolated from global trends, adopt a stance that allows the state to collaborate with the private sector to shape the economic fortune of the citizenry (Lee, 1997, p. 32).

This chapter describes Malaysia's developmental landscape in a rather synoptic way. The exercise does not attempt to tell the whole story but limits itself to offering an overview of Malaysia's developmental progress since the formation of the country's federation in 1963. The chapter begins by offering a brief history of the country. It then explores the socio-economic conditions of the society with a focus on the issues of race relation and how that affected the evolution of Malaysia's socio-economic system. It highlights that political negotiation of race-relation forms core part of Malaysia's political economy. In this chapter then, it would be shown how the country has been able to maneuver the intricacies of pursuing economic growth and development in a multicultural and often divided society. Particularly, attention is called to the effect of the late 1960s' ethnic riots on Malaysia's public policies thereafter and the transformations this brought in the society. Lastly, attempt is made to demonstrate how these changes are people-focused. Here, human development indicators for Malaysia are analyzed.

### **3.1. Brief History of Malaysia**

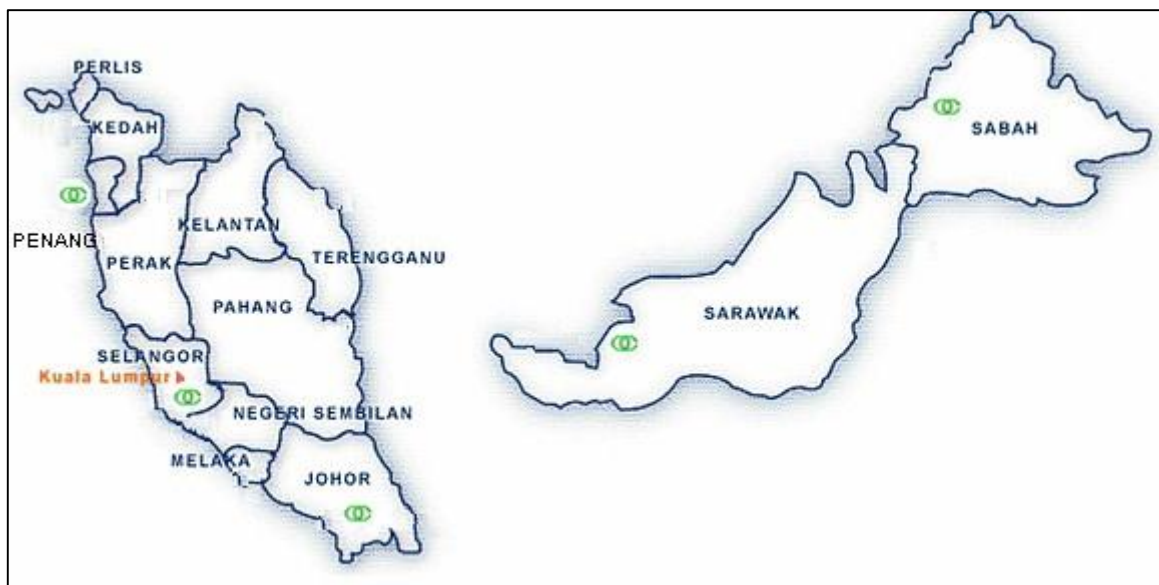
Malaysia is a federation of thirteen states and three Federal Territories. It is divided into two separate parts by the South China Sea (see fig. 3.0 for details). The Peninsula Malaysia (West Malaysia) that occupies an area of 131, 582 square kilometres landmass has eleven states and two Federal Territories. The other area is East Malaysia located on Borneo Island with a landmass of 73, 709. It has two states and one Federal Territory. The States and Federal Territories in the two regions are as follows:

#### **Peninsula Malaysia**

1. Federal Territory of Kuala Lumpur (national capital)
  2. Federal Territory of Putrajaya
  3. Johor
  4. Kedah
  5. Kelantan
  6. Malacca
  7. Negeri Sembilan
  8. Pahang
  9. Penang
  10. Perak
  11. Perlis
  12. Selangor
  13. Terengganu
- East Malaysia**

14. Federal Territory of Labuan
  15. Sabah
  16. Sarawak
- (DSM, 2010)

**Fig. 3.0: Map of Malaysia**



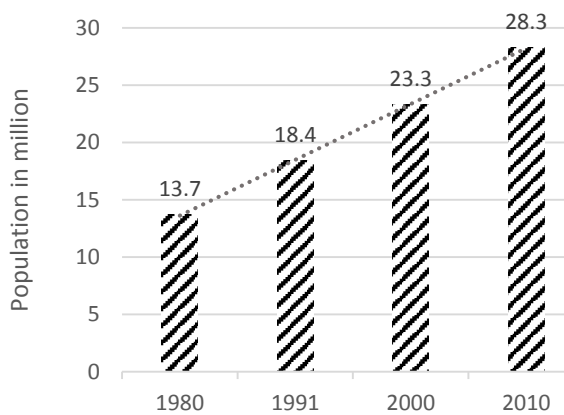
Source: Malaysia Travel Fair (2014)

Malaysia as it is known today was formed in 16 September 1963 by merging Malaya (now West Malaysia) which gained independence (*Merdeka*) in 1957 with Sabah, Sarawak and Singapore (Cho, 1990, p. 5). This newly formed state however, lasted till 1965 when Singapore left the federation to form a separate political unit. Today, Malaysia belongs to the Association of South East Asian Nations (alongside Indonesia, Philippines, Singapore and Thailand).

Before *Merdeka*, Malaysia's encounter with outside world stretches as far back as 2<sup>nd</sup> century BC with the influence of Indians, the Arab and Indian Muslims in the thirteenth century AD, the Portuguese (1511), the Japanese and the Chinese, and the last colonialist, the British. As it shall be shown later, these historical features have considerable influence on the structural dynamics of the present-day Malaysia.

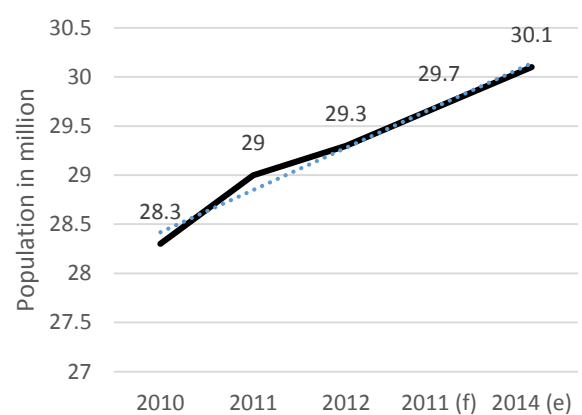
Demographically, Malaysia is relatively small. The country's last Census of 2010 placed Malaysia's population at 28.3 million. As shown in figure 3.1 below, current (2014) estimation gives the figure of about 30.1 million people. The country is diverse in culture and has the composition of ethnic groups of the Malay, Chinese, Indian and other significant indigenous people of Sabah and Sarawak (Kadazan, Dusun, Bajau, Murut, Iban, Bidayuh and Melanau). The diversity also applies to forms of religion. While Islam is the most practiced religion in the country, provisions are made for other forms of faith including Christianity, Buddhism and Hinduism. The population distribution across ethnic and religious groups are uneven.

**Fig. 3.1. Population growth, 1980-2010**



Source: DSM (2010).

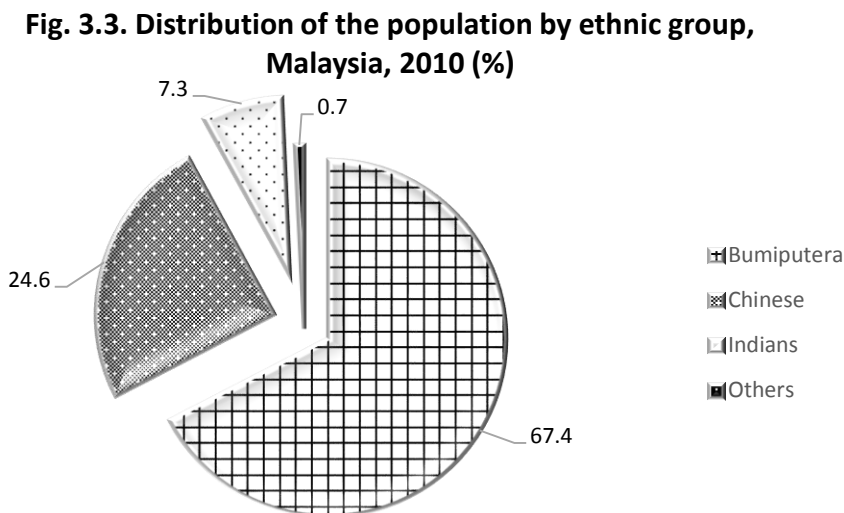
**Fig. 3.2. Malaysian population, 2010-2014**



Notes: (e) estimates, (f) forecast  
Source: EPU (2013).



As shown in figure 3.3 below, the population distribution across ethnic groups in 2010 were as follows: the *Bumiputera* (the indigenous Malays) 67.4%, Chinese 24.6%, Indians 7.3%, and Others 0.7%. On the religious side too, Malaysia has a marked differences among groups the majority of which is the Muslim with the proportion of 61.3%. Other religious group include: Buddhism (19.3%), Christianity (9.2%) and Hinduism (6.3%).



Source: DSM (2010).

Aware of this multiculturalism, the government of Malaysia has been very emphatic on the importance of social cohesion. Consequently, at successive point in national planning, the vision of a united Malaysia is given attention. For instance, the document of the Second Malaysian Plan, Article 11 (1971-1975), having acknowledged the diversity of the country went on to affirm that “... from these divers elements of our population, we are dedicated to the achievement of a united nation in which loyalty and dedication to the nation shall over-ride all the other loyalties”. This theme of “nation building” finds expression in most Malaysian government policies such as the New Economic Policy (NEP) MacAndrews (MacAndrews, 1977), and the series of Malaysian Plans from the First Malaysian Plan (1966-1970) to the current Tenth Malaysia Plan (2011-2015). In view of this, planning development in Malaysia has always been highly political as it is economical (MacAndrews, 1977, p. 296).

Then there is the unique nature of Malaysia’s political structure. It practises a system of Parliamentary democracy with constitutional monarchy (EPU, 2013, p. iii). The three branches of government include the executive, the legislature and the judiciary. The parliament comprises his Majesty Yang di-Pertuan Agong (the Supreme Head of State), the *Dewan Rakyat*

or Senate (upper house) with 70 members and the *Dewan Negara* or the House of Representatives (lower house) with 222 members. Forty four out of seventy seven senators are appointed by His Majesty, while the rest are elected by the State legislatures. Meanwhile, the members of the lower house are all elected officials. All elected offices have five years term.

### **3.2 The Socio-Economic Conditions**

The political economy of Malaysia, to a large extent reflects the socio-economic feature of the country. Without undue prejudice to external factors, it mirrors the colonial legacy and how that shaped the unfolding of Malaysia's economic outlook. Of critical importance is the relationship between race-relation and economic activity in Malaysia. As Lee (1997, p. 28) argues, "the ethnic equation has been the predominant factor influencing political alignments, determining the structure and roles of institutions, and shaping the basic priorities of public policy". The race equation ultimately has a root in the colonial rule. There were obvious positive colonial legacy in Malaysia: relatively robust economy built on two export commodities, rubber and tin (Cho, 1990, p. 43). But also, criticism has been raised as to how colonial development was spatially uneven, and ethnically undistributed, thus leading to divisive social force that created developmental problem for post-independent Malaysia (Drabble, 2000, p. 101). The following pays attention to this strand of argument.

Hirschman (1986) argues that modern "race relations" in Peninsular Malaysia is a byproduct of British colonialism of the late 19<sup>th</sup> and early 20<sup>th</sup> centuries. On this point, he endorses the conventional explanations that this happened through British unrestricted immigration policy that created an unstable demographic balance among widely divergent cultural populations; and also through the British practice of "divide and rule" policies which sowed fear and mistrust among the constituent races – Malays, Chinese and Indian (Stenson, 1980). More emphatically however, Hirschman advanced a plausible argument that institutional framework that the colonialist had in place explains racial problems of Malaysia. How did this happened?

The expansionary export economy built by the British drew quantum immigrants from China and India. As Cho (1990, p. 32) affirms, the British introduced rubber plantation from Brazil and thus, expanded the economy from traditional minerals (tin and gold) and spices. Since the Chinese labour force and the Malays could not support the system, a large number of Indian labourers were then brought from India to work the rubber plantations. This changed demographic feature of the areas now referred to as Malaysia. Other than managing the development to advance integration, British rule entrenched racial discrimination that extends

to all faces of live through race ideology inbuilt as stereotypes. As a manifestation, during the colonial era ethnic communities were physically and socially segregated such that the mines and plantations were almost completely dominated by the Chinese and Indian labourers whereas the Malays were kept in their rural villages for subsistent farming (Hirschman (Drabble, 2000; Hirschman, 1986, p. 353) . Even in the towns, residential areas, market places, and recreational spaces were typically segregated along ethnic lines. Ross-Larson’s description of the state of affairs during the formative years of Malaysia is instructive:

The residential and occupational stereotypes of the three groups are as follows. Most Malays live in rural areas and engage in smallholder agriculture and fishing; urban Malays generally work in the government bureaucracy, the armed forces and police, and the lower rungs of the manufacturing and services sectors. Most Chinese live in urban areas, where they dominate commerce; rural Chinese engage in tin mining and in agriculture as smallholders. Most Indians live in rubber and oil palm estates; urban Indians are in the professions and services (1980, pp. 10-11).

For Hirschman (1986), this failure of the British colonialists to encourage movement toward an integrated society as early as the invasion of the immigrants has bearing on the mistrusts and fears exhibited across the ethnic groups. And even as the immigrants stay lasts in the land, the colonialists continued to foster the idea that they are sojourns and not residents. In this context, the colonialist aligned the political power with the natives to the exclusion of the immigrants (MacAndrews, 1977). Consequently, at the political and economic level, the Chinese and Indians took substantive control of the economy while the Malays, the politics.

In similar way, Cho (1990) alludes to how British economic policy contributed to the problem of inter-racial relation within Malaysian society by establishing distinct patterns of economic disparity between the Malays and non-Malays. This led to a situation in which even spatial location follows racial identification. The Chinese and Indians occupied the developed west coast states of the peninsula while the hinterland where the larger population of the Malays lived was poorly developed. This disparity inevitably was to lead to crisis. The earlier form of intervention to manage such looming crisis was the “Bargain of 1957” (Cho, 1990, p. 33). The non-Malays had demanded more political inclusion, the use of English in addition to the Malay language, a meritocracy, and a *laissez-faire* economy while the Malays demanded a “recognition of their ‘special position’ and policies designed to accelerate their socio-economic progress”. The result of the Bargain was a compromise which gave the non-Malays citizenship and the Malays a recognition of their special position.

It was the perceived breach of this agreement that resulted in the 1969 inter-ethnic conflict (Freedman, 2005). Economic activity and resultant wealth was concentrated in isolated pockets, especially along the west coast leading to high level of rural-urban differences in economic opportunities. The *Bumiputera* took offence. But importantly, it is how the statesmen read the signs of the time that is noteworthy about Malaysia's socio-economic evolution. For them, there was a lack of "national integration, spatially and ethnically, leading inevitably to polarization based on geographic location and communal identification" (Cho, 1990, p. 33). Income inequality, high incidence of poverty and slow pace of broad-based national development brought forward the need for new government policies and radical social transformation. The national economic policies borne out of this reflection, beginning with NEP then, began taking on 'national oriented' developmental approach that pays particular attention to spatial perspective on development (EPU, 2004, p. 1). This is different to the rather conventional economic approach which looks at the activity dimension (various sectors of economy – agriculture, industry and manufacturing transport, trade etc.), and the temporary (the process of change that take place within these sectors). The spatial is important for its redistributive role. Thus, development planners in Malaysia, in the post-ethnic riot era directed attention to integrating the spatial component with the social-economic sectors of development (Chan, 1981, p. 428).

### **3.2.1. Measurable Economic Achievement**

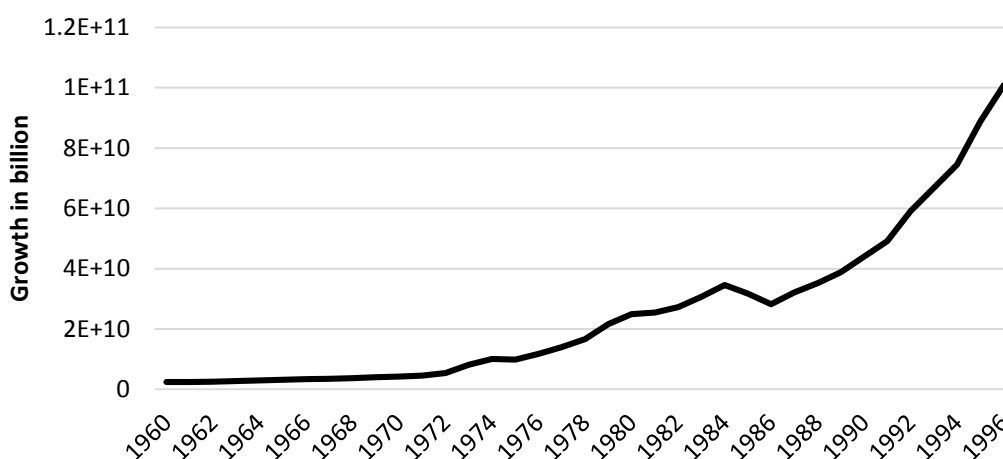
Malaysia has been judged a development success story (Athukorala & Menon, 1999). Particularly, going by developing-country standards, Malaysia's economic achievements have been truly remarkable. The country also sets precedence with human development progress that accompanied its sustained economic growth: rising living standards, improved distribution of income, and hands on confronting the acclaimed twin problems of poverty and racial imbalances. The following looks at some of these developments.

### **3.2.2. The Economic Growth**

Colonial government had left a relatively robust export-oriented economy for Malaysia at *Merdeka*. As Drabble (2000, p. 102) affirms, by 1920 the structure of the colonial export economy was fully in place in terms of the leading commodities, the types of production, the basic infrastructure and the ethnic division of labour. The leading commodities were rubber, tin, and latter timber, palm oil and petroleum (EPU, 1971-1975). Even while it depended on the fluctuating export earnings of these key products, as early as 1970s, these commodities yielded three-quarters of export income (Gullick, 1981, p. 141). Malaysia's export increased

from 42% of GDP in 1963 to 69% in 1990 is indicative of the economy's increasing dependency on export (Drabble, 2000, p. 188). At first, the country continued its trading route with the European Community countries but gradually shifted orientation towards the booming Asia-Pacific region and the USA.

**Fig. 3.4: Malaysia's GDP (current US\$), 1960-1996**



Source: World Bank, WDI (2014)

As indicated in figure 3.4 above, starting with a GDP of 2.4 billion US\$ in 1960, the country recorded US\$4.4 billion (figures in current value) by 1990. In fact, between 1960 and 1969, Malaysia's GDP averaged US\$3.1 billion (current). The country's economic outlook is compared with other neighbouring countries in table 3.0. It shows Malaysia was in the lead. By 1965<sup>22</sup>, with a GDP per capita (constant 2005) of US\$1173.1, the country's annual GDP growth was 7.7%. The closest to this among the ASEAN-4 was Philippines with just 5.3%.

**Table 3.0 GDP figures for ASEAN-4, 1965**

Country	GDP per capita (constant 2005 US\$)	GDP growth (annual %)
Malaysia	1173.1	7.7
Indonesia	279.1	0.9
Philippines	763.1	5.3
Thailand	436.6	n.a

Note: n.a = not available

Source: World Bank, WDI (2014)

<sup>22</sup> The year was selected because by then, Singapore had left the federation, hence giving making it convenient to talk about Malaysia as it is now.

As Cho (1997, p. 17) also reckons, this substantial growth in the first decade after *Merdeka* was not only considered one of the best in the region but also among developing nations. Sustenance of the growth for over three decades placed Malaysia as the world's tenth-fastest growing economy between 1970 and 1990 (Snodgrass, 1995, p. 6). Cho attributes this comparative success to Malaysia's strong national government, a good physical and administrative infrastructure, a favourable ratio between land and resources to population, a broader based export sector, and a liberal and outward-looking economic policy framework that emphasized foreign trade and private enterprise. This assessment was also endorsed by World Bank (1992, p. 327) which affirmed that the country's growth peaked in the 1970s as it transits to middle income country. The World Bank report singled out prioritization of agriculture, open economy that is export-oriented and diversification from dependency on the primary commodity of rubber and tin to palm oil, logs, petroleum and gas, cocoa and manufactured goods.

Early diversification of the economy in particular aided Malaysia to escape many of the ebb and flow of world commodity prices. At *Merdeka*, Malaysia could only boast of two export products: rubber and tin; which contributed one-third of Malayan GDP (Gullick, 1981, p. 145) (Gullick, 1981, p. 145). Later in 1960, palm oil became the major element in the economy<sup>23</sup> and was followed by petroleum and timber in the 1970s. However, much of the early economic restructuring was preoccupied with the agricultural and oil sector. One of the notable formations that revolutionized rubber production was guided by the establishment of FELDA in 1956. Guiding land distribution for over twenty-five years, it encouraged smallholdings of rubber plantation which boosted production output.

### **3.2.3. The Manufacturing Sector**

From a producer of primary commodities Malaysian economy was transformed to become a manufacturer of sophisticated industrial goods. The transition was seen as a necessary step to achieving the main objective of national development. Hence, while agriculture and resource-based industries remained important for the economy, Malaysia looked increasingly to manufacturing industry to drive the economy (Drabble, 2000, p. 187). The progression followed conventional pattern. The first round of industrialization in the 1970s focused on import-substitution (ISI). The interests was mainly to process primary products (tin, timber, rubber) and consumables (pineapples, vegetable oil, biscuits), especially for the domestic

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<sup>23</sup> At some point, Malaysian palm oil industry was reckoned as the largest in the world.

market. By the following decade however, export-oriented industrialization (EOI) began taking place and remained so henceforth (except for a brief return to import-substitution).

One of the reasons for this shift in policy orientation relates to the saturation of the domestic market's capacity to absorb manufactures from the pioneer industries under ISI. This in itself resulted from improper planning which led to some fields of production (e.g. dairy products, paints plastics) being over-supplied with firms relative to market-size (Drabble, 2000, p. 236). As such, an alternative was sought to boost the sector. Kuruvilla (1995) argued somewhat differently that the transition was orchestrated by first, the economic crunch of 1977 and the 1980s which created a strain on government's overwhelming involvement in the industry through NEP. The draining of the revenues by the heavy industries programme of the era increased Malaysia's international debt to an unprecedented level. The move to EOI then, was in response to this, as under the new framework, the government increasingly encouraged private and foreign investment to drive the economy in a mixed policy outlook (Kuruvilla, 1995, p. 44). Arguably, the combination of these factors propelled the government to seek alternative ways in EOI.

Under the EOI regime, the industrialization pace picked up. In particular, electrical and electronic machinery and appliances industries were on the growth. 1970s saw Malaysian manufacturing sector turned towards the production of consumer durables, intermediate and capital goods. In Sarawak, East Malaysia, alone, share of intermediate goods as percentage of gross output value for instance increased from 56.2 in 1970 to 77.7 by 1990 (Drabble, 2000, p. 237). In general, electronics industry took dominance, with manufacturers of semiconductors alone employing 16.7% of the manufacturing workers in 1989 (Kuruvilla, 1995, p. 46). During same year, the total exports of semiconductors exceeded M4 billion, accounting for 24.8% of total manufacturing exports. One general report presented in UNDP HDR (1996, p. 60) asserts that after Japan and the United States, Malaysia became the world's third largest exporter of semiconductors.

Analysts have attributed this growth to a number of factors. In part, Malaysia provided a fundamentally attractive environment for investors. The stability of government, the freedom in politics, the minimal interference of government, the ample availability of finances, the financial creditworthiness of the country, the plentiful supply of relatively well-educated labour, the comparative honesty and efficiency of government administration – all these factors were significant in Malaysia's rapid industrial growth (Cho, 1990, p. 189). Concerning the role

of foreign direct investment (FDI), Athukorala and Menon (1999) asserts that since 1991 in particular, the volume of FDI flowing to Malaysia has remained higher than to any of the other ASEAN countries.

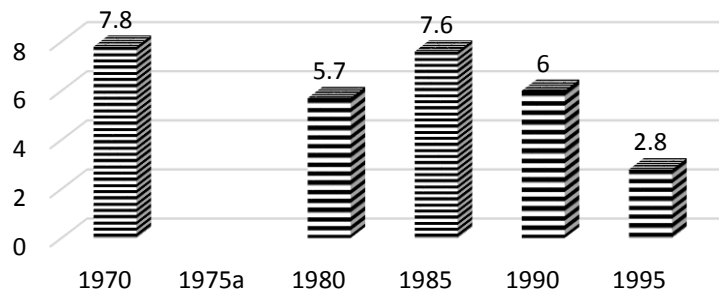
In view of the focus of the NEP policy on equity, even the industrialization process was not spared. As Lucas and Verry (1999, p. 1) affirm, since the racial conflict of 1969, the achievement of national unity through social restructuring has been the hallmark of Malaysia's policy tool. Hence, spatial factor – balanced redistribution of industrial activity – shaped Malaysian industrialization. Some of the locational incentive schemes include growth center strategies, industrial estates, free-trade zones and bonded warehouses, regional planning. Manufacturing industries were not confined to the urban areas. Instead, the sector played a significant role among the range of rural non-farm activities that formed an increasingly vital component in the incomes of rural dwellers (Drabble, 2000).

#### **3.2.4. The Impact of the Growth on Employment**

During the rapid growth period of Malaysian economy, considerable structural transformation happened. When the manufacturing sector peaked, the share of the primary sector declined from 37.3% in 1970 to 20.1% in 1995 (Shari, 2000, p. 113). During same period, the secondary sector share rose from 17.3% in 1970 to 36.5% in 1995. The growth also impacted on employment opportunities and the distribution of labour. During the period of 1971-80, employment growth rate was at 2.7 (% per annum). The unemployment rate decreased from 7.8% in 1970 to 5.7% in 1980 (see fig. 3.5 below). By 1995, the country's unemployment rate achieved further reduction to 2.8%. Even though there was noticeable increase during the mid-1980s due to economic recession, current data shows that Malaysia had recovered and maintained progress on this end after the government successful economic recovery programme. This success was also recorded after the 1997 Asian Financial crisis (EPU, 2011). From 2004 to 2013, unemployment rate (% age 15 years and older) stays at 3.0% (UNDP, 2014). And youth unemployment rate (% age 15-24) from 2008-12 is 10.3%.



Fig. 3. 5 Unemployment rate (%)  
in Malaysia



Source: Shari (2000). Note, a = data not available.

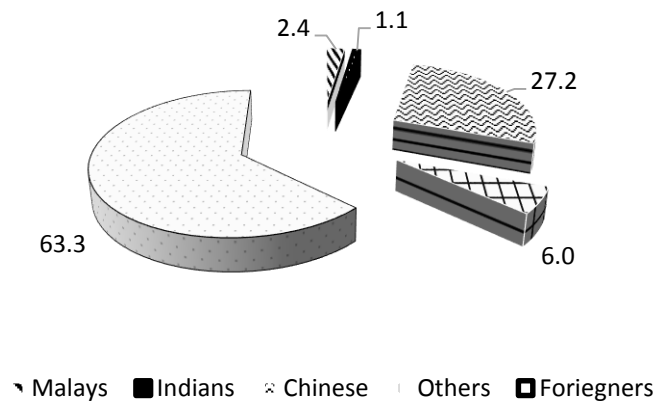
### 3.3. Post-1970 Transformation

However, the economic growth of the pre-1970 was remarkably uneven and far from meeting the particular yearnings of the larger *Bumiputera* group. Disenfranchisement that arose from the longstanding inequality now aggravated by rising income that was concentrated in the hands of few led to the racial riots of 1969 (Huq, 1994, p. 78). The proximate course was the election of that year that tended to tilt political power from the “multiethnic but Malay-dominated coalition [party]<sup>24</sup> that had run the country since independence” to the group that supports Chinese and Indian communities (Snodgrass, 1995). On the side of *Bumiputera*, political control has been the essential counterbalance to their economic inferiority; hence, the course for agitation.

As the document of the Third Malaysian Plan reveals; at the time, “in terms of *per capita* income, the Malays received \$34 per month or one-half that of the Chinese at \$68, while the Indians obtained \$57 or some 70% more than the Malays. This shows gross ethnic inequality. Of all poor households, about 74% were Malay, 17% Chinese and 8% Indian” (EPU, 1976). Also, 65% of Malay households were in poverty compared to 26% of Chinese, 39% of Indian and 45% of other households.

<sup>24</sup> The United Malays National Organisation (UMNO)

Fig. 3.6. Ownership of equity capital %  
by groups in 1970



Source: Third Malaysian Plan, EPU (1976).

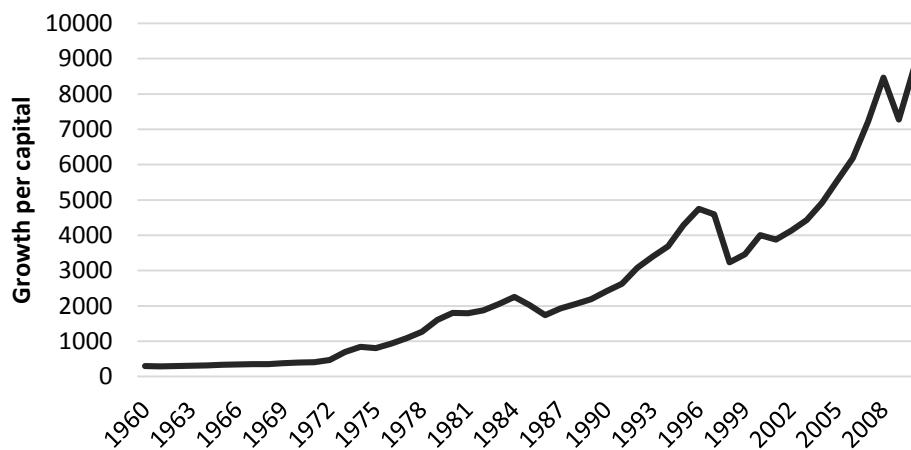
Even ownership of production as at the time was greatly uneven. Figure 3.6 shows that foreigners (63.3%) and then, the Chinese (27.2%) were the leading owners of business.

Recognizing that such inequality were matters of social injustice, the pragmatic policymakers reckoned that the socio-political implications of an economic system divided along racial lines poses greater threat to national unity, social stability and economic progress (EPU, 1976). In evaluation of the situation, they squarely pegged the causes of the racial riots of May 1969 to the inadequate efforts to redress socio-economic imbalances. The 1900s economic growth had not been evenly distributed to benefit larger mass of Malaysians.

The aftermath of the racial riots then, saw the birth of NEP. The policy was a direct government response to the crisis which formed the basis of the Second Malaysia Plan (SMP) 1971-75. With an overarching aim of national unity, the policy tool had two principal aims: poverty eradication across all races and fairer distribution of wealth (Snodgrass, 1995, p. 7). The first targeted substantial reduction of incidence of absolute poverty by 1990. The second prong targeted the removal of “compartmentalization of racial groups by economic function” (EPU, 1976, article 29) such that the traditionally marginalized *Bumiputera* would have at least 30% of commercial and industrial activity of the economy by 1990 (Cho, 1990, p. 89). This covered ownership and employment in the growing modern sector. It is worth noting that “all NEP goals were to be reached in the context of economic growth” (Snodgrass, 1995, p. 7), or in what has been dubbed, growth with equity.

The results were remarkable. As Galenson (1980) asserts, the Malay share of employment for instance in manufacturing improved during the period of the second plan. It grew from about 29% in 1970 to 33% in 1975. In another indication, unlike what held sway prior to NEP, by 1975 the proportion of *Bumiputera* share of capital holdings increased to 7.8% (Galenson, 1980, p. 200). More importantly, the programme favoured the informal sector, particularly the rural communities. Through government agencies like the Federal Land Development Authority (FELDA), smallholdings of farmland was encouraged, and this initiative boosted agricultural activities.

Fig. 3.7: Malaysia's GDP per capita (current US\$), 1960-2010



Source: World Development Indicators (2014)

Generally, the 1970s growth was rapid. As figure 3.4 demonstrates, GDP per capita picked from 1970s onward<sup>25</sup>. Even while it experienced setbacks like those of 1986 and 1997, the economy was able to avoid deep and prolonged set-backs.

Beyond the NEP period of 1970-87, the government had devised other strategies to boost growth and development. On this Athukorala and Menon (1999) argue that a gradual shift in policy focus was particularly noticed. The NEP emphasis on redistribution lapsed in favour of a more market-oriented development policies. In particular, National Development Policy (NDP) brought about some ease on the strictures of NEP with a view to put “*creating wealth ahead of redistributing it*” (Athukorala & Menon, 1999, p. 1123). This does not mean however, a move to place growth as the priority. Other than emphasizing mere participation, the

<sup>25</sup> The 1980s and 1997 were the exceptions during which the economy suffered setback due to externalities.

government pragmatically took initiatives to promote entrepreneurship, managerial expertise and skill development within the poor groups with the aim of empowering them to compete more confidently in economic activities. Hence, it is safe to argue that consistency runs through in the main focus of Malaysian development policy. For instance, in the Vision 2020 launched in January 1991 by the Mahathir administration, and by which Malaysia intends to achieve the status of a fully industrialized and developed country, economic growth, national unity, social cohesion, social justice, political stability, quality of life, social and spiritual values, national pride and confidence were give express considerations (Lee, 1997, p. 32). The following describes some of the developmental achievements Malaysia has enjoyed under these policy tools.

### 3.4. Development Measured By HDI Lens

For the qualitative side of Malaysian development, Human Development Index (HDI) data is used. HDI accesses long-term progress in three basic dimensions of human development: “a long and healthy life, knowledge and a decent standard of living” (UNDP, 2014). It will be instructive to see the extent that Malaysian growth has translated to development understood in the sense noted above. As Human Development Reports have constantly reiterated, economic growth alone is not human development progress. Rather, pro-poor policies alongside significant investment in people’s capabilities that expand access to decent work and raises income; these provide for sustained human development progress (UNDP, 2013, p. iv). (UNDP, 2014). There are many components of HDI. But selected few would be examined with respect to Malaysia’s human development progress.

**Table 3.1: Child mortality rates in Malaysia**

	<b>Infant mortality rate</b> (per 1, 000 live births)	<b>Under-five mortality rate</b> (per 1, 000 live births)
<b>1970</b>	46	63
<b>1998</b>	9	10
<b>2012<sup>a</sup></b>	7	9

*Source:* UDNP-HDR (2000; 2014<sub>a</sub>).

#### 3.4.1. “A Long and Healthy Life”

Malaysia’s progress in respect of longevity and healthiness of life has been impressive over the years. Life expectancy, mortality rate, survival indexes are good measures of long life. Infant mortality rate for instance, reflects the number of infants who die before reaching age one,

usually expressed per 1,000 live births in a given year (World Bank, 2001, p. 336). Table 3.1 show how much infant mortality rate (per 1, 000 live births) has been reduced. In 1970, it was 46. By 2012, it has reduced to 7. In similar way, under-five mortality rate<sup>26</sup> per 1, 000 live births was reduced from 63 in 1970 to 9 by 2012.

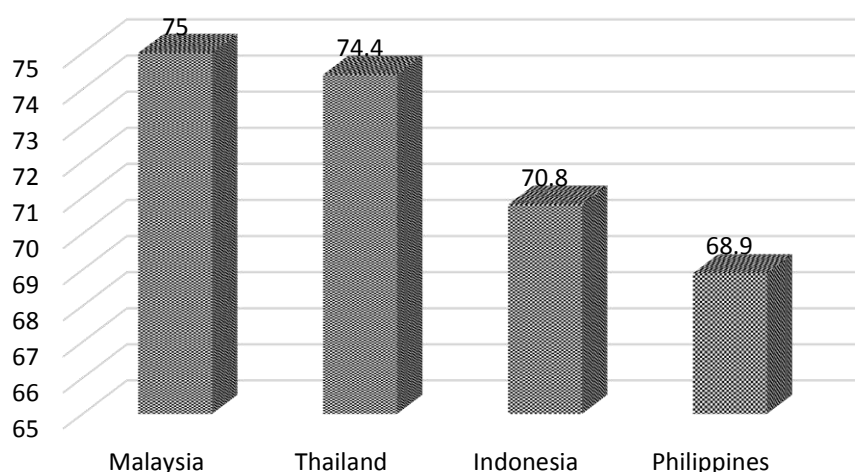
**Table 3.2 Malaysia, selected longevity indicators**

Maternal mortality ratio reported (per 1, 000 live births)	People not expected to survive to age 60 (%)	Life expectancy at birth (years)	
		1970-75	1995-2000
1990-98	1995-2000	63	72
39	16.1		

Source: UNDP-HDR (2000).

As table 3.2 demonstrates, with health facilities on the increase, life expectancy rate has bettered. The table in particular shows that between 1970 and 2000, Malaysian life expectancy increased from 63 to 72. In 2013, it further increased to 75 (see fig. 3. 8). As indicated in figure 3.8, in comparison to other ASEAN-4, the changes are impressive. These successes are attributed to significant improvements in access to health and medical services as well as the increased emphasis on prevention and rehabilitation services across the nation (EPU, 2011, p. 35).

**Fig. 3.8 ASEAN-4: Life expectancy at birth, 2013**



Source: UNDP-HDR (2014).

<sup>26</sup> This indicates the probability that a child born in that year will die before reaching age 5.

### 3.4.2. HDI: Education Component

Enshrined in the educational system in Malaysia is the larger goal of nation building. An agenda of cultural and religious tolerance built in Moral Education curricula designed into the education system serves the purpose. Through this medium, the state aims to promote national unity and a Malaysian identity (Brown, 2007, p. 9). This is most evident in the formulation of “national ideology” or *Rukunegara* which forms the basis of the moral education taught in schools (compulsory in primary and secondary education). The five elements in *Rukunegara* are:

- 1) Faith in God;
- 2) Loyalty to King and Country;
- 3) Respect for the Rule of Law;
- 4) Upholding the Constitution; and
- 5) Morals and Good Behavior.

The civic courses were aimed to:

- a. foster loyalty and love for the country
  - b. cultivate consideration for others of different racial origins and creeds;
  - c. develop self-reliance;
  - d. develop an innovative attitude; and
  - e. develop correct social conduct, good behavior and morality.
- (Brown, 2007, p. 9).

Brown has written extensively on the practice of these programmes across schools and its usefulness in nation building. His analysis chronicled the struggles around how race issues constantly comes up in education policies and how they are negotiated, albeit somewhat biased in favour of the Bumiputera. Worthy of note however, is how class instructions are used to instill patriotic spirit in learners. This arguably plays a role in fostering social stability necessary for constructing a developmental state.

Report from Malaysian Quality of Life Index (MQLI) released by EPU 2011 indicates significant progress in Malaysian education sector. The report observed greater participation rates in pre-school and secondary school levels, better teacher-student ratios as well as higher literacy rates result for the country in general. Consequently, the MQLI of 2011 indicated that the highest increase of 20.2 points of the overall MQLI shared among the ten components was recorded in education sub-index (EPU, 2011, p. 6). This report is complimented by HDI of 2014 (see table 3.3). It recorded 93.1% and 98.4% adult and youth literacy rates between 2005

and 2012 respectively for the country. This is in contrast to the figure of 1998 where it was 97.1% for youth and 86.4% for adult literacy rates respectively.

**Table 3.3. Literacy rate and school enrolment ratios in Malaysia**

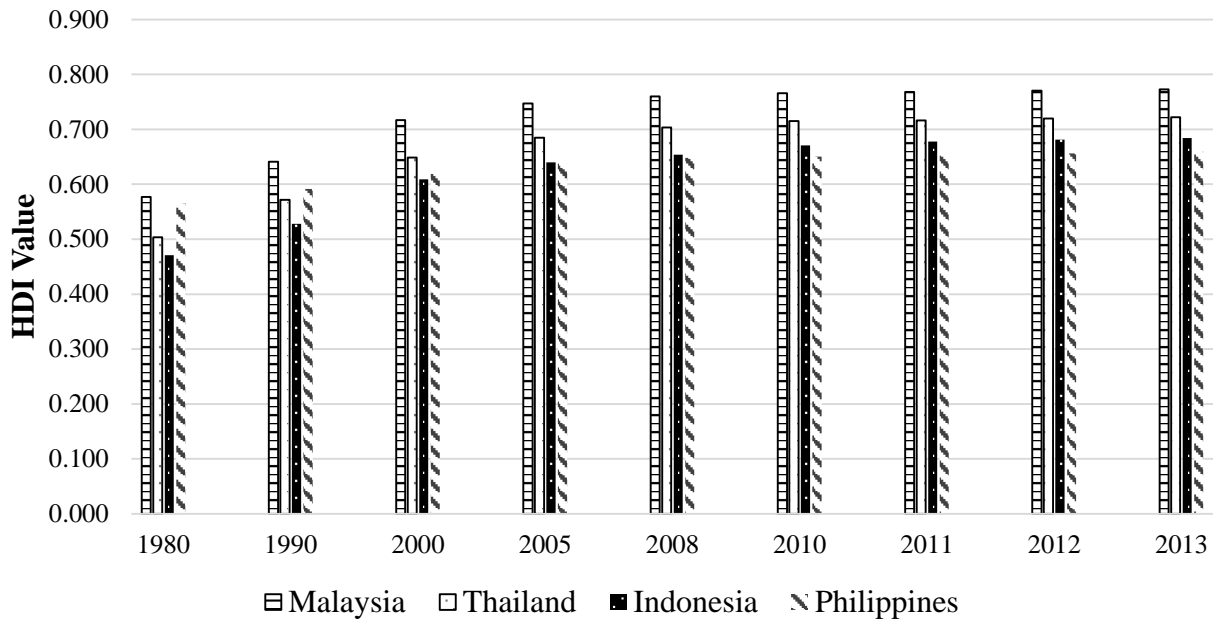
Literacy rate (%)		Age group enrolment ratios (adjusted)		
Youth	Adult	Primary age group (% of relevant age group)	Secondary age group (% of relevant age group)	Tertiary (% tertiary school-age population)
1998	1998	1997	1997	1995-97
97.1	86.4	99.9	64.0	99
2005-2012 <sub>a</sub>		2003-2012 <sub>a</sub>	2003-2012 <sub>a</sub>	2003-2012 <sub>a</sub>
98.4	93.1	101	67	37

*Source:* UNDP-HDR (2000, 2014<sub>a</sub>).

### 3.4.3. Standards Of Living in Malaysia

The most recent data available from UNDP-HDR (2014) under sub-index of perceptions of well-being reflects the extent to which the Malaysian population perceive their well-being. In general, there is a greater satisfaction with the opportunities to live life in the society. For instance, under health care quality, the response given for the period of 2008-2012 shows 87% of satisfaction with service delivery. Standard of living in general received 75% for the period of 2007-2013. Job satisfaction recorded 83% and freedom of choice 82% for the period of 2007-2012. While these indicators may not be too reliable given that they are self-report, together with the previous indicators given, they give an impression of the progress on the Malaysian state's effort to align development alongside economic growth.

**Fig. 3.9: ASEAN-4: Human Development Index trends, 1980-2013**



*Source: UNDP-HDR (2014)*

As figure 3.9 demonstrates, taken into consideration the fuller human development indicators, Malaysia's achievement has been remarkable in comparison to its neighbours. Between 1980 and 2013, its HDI value difference records 0.196. Having peaked up in 2008, it has since remained stable.

### **3.4.3. Malaysia's Progress towards MDGs**

To cap the foregoing discussion, table 3.4 below presents Malaysia's progress towards MDGs. The table selects certain indicators from each of the eight MDGs and represents the extent to which Malaysia has fared. The impressive strands suggest a strong commitment on the Malaysian state to the pursuit of development.



<b>Table 3.4:</b>		<b><u>Malaysia's progress towards the MDGs</u></b>			
		<b>Indicators</b>	<b>Malaysia's progress (aggregate)</b>		
<i>Goals and targets</i>			<i>1970</i>	<i>1990</i>	<i>2009 notes</i>
<b>Goal 1: Eradicate extreme poverty and hunger</b>					
Target 1A: to halve by 2015 the proportion of people whose income is less than US\$1 a day	1.1	Proportion of population below US\$ 1 (PPP) per day	17%	4%	
	1.2	Poverty gap ratio	3.75%	0.80%	
	National indicator				
		Proportion of households below food poverty line income	3.90%	0.70%	
		Proportion of households below the national poverty line income	16.50%	3.80%	
	1.3	Share of poorest quintile in household income	5.00%	5.10%	
Target 1b: to halve the proportion of people who suffer from hunger	1.4	Prevalence of underweight children under five-years (under-nutrition)	Moderate : 19.5% (1995)	Moderate: 5.8% (2008)	
			Severe: 0.6% (1995)	Moderate: 0.5% (2008)	
	1.5	proportion of households below minimum level of equivalent to food poverty line	3.90%	0.70%	
<b>Goal 2: Achieve universal primary education</b>					
Target: that all children (boys/girls) are able to complete a full course of primary schooling	2.1	Net enrolment ratio in primary education	96%	98%	
	2.2	proportion of pupils completing primary schooling	98.10%	99.00%	
	2.3	Literacy rate for 15-24-year-olds (women/men)	75%	97% (2000)	
			95.3% (women)	97.3% (women)	
		95.9% (men)	97.2% (men)		

*Continues...*

<b>Table 3.4:</b>		<b>Malaysia's progress towards the MDGs</b>				
		<b>Indicators</b>	<b>Malaysia's progress (aggregate)</b>			
<i>Goals and targets</i>			<i>1970</i>	<i>1990</i>	<i>2009</i>	<i>notes</i>
<b>Goal 3: Promote gender equality and empower women</b>						
	3.1 Ratios of girls to boys in schooling	Primary 1:1	Primary 1:1			
		Secondary 1.05:1	01:01			
		University 1.08:1	University 1.6:1			
	3.2 Share of women in wage employment in the non-agricultural sector	31.50%	37.8% (2008)			
	3.3 Proportion of seats held by women in national parliament	6.30%	10.80%			
<b>Goal 4: Reduce child mortality</b>						
Target: reduce under-five mortality rate by 2/3 by 2015	4.1 Under-five mortality rate (per 1,000 live births)	16.8	7.9 (2007)			
	4.2 Infant mortality rate (per 1,000 live births)	13.1	6.2 (2007)			
<b>Goal 5: Improve maternal health</b>						
Target A: Reduce maternal mortality ratio by 3/4 by 2015	5.1 Maternal mortality ratio (per 100,000 births)	44.0 (1991)	28.9 (2008)	2015 target, 11		
	5.2 Proportion of births attended by skilled health personnel	96.60%	98.6% (2008)	Sabah state still behind with 90% since 2006		
Target 5B: Achieve universal access to reproductive health by 2015	5.3 Adolescent birth rate (per 1,000 women)	28 (1991)	13 (2007)			
	5.4 Antenatal care coverage (at least 1 visit and at least 4 visits)	78.00%	96.7% (2007)			

*Continues...*

<b>Table 3.4:</b>		<b>Malaysia's progress towards the MDGs</b>			
		<b>Indicators</b>	<b>Malaysia's progress (aggregate)</b>		
<i>Goals and targets</i>			<i>1970</i>	<i>1990</i>	<i>2009 notes</i>
<b>Goal 6A: to halt by 2015 and reverse the spread of HIV/AIDS</b>					
	6.1	Notification rates: number of cases detected (per 100,000 population)	28.5% (2002)	10.80%	
		Reported AIDS-related deaths	1,880 (2005)	805	
Target 6b: to halt incidence of malaria and other diseases	6.2	Incidence of Malaria	50,000 cases	7,000 cases	efforts are in place to completely eliminate this by 2020
	6.3	Number of deaths	571 (1995)	1,582	
<b>Goal 7: integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources</b>					
	7.1	Proportion of land area covered by forest	65.8% (2000)	62.4% (2010)	Malaysia is committed in ensuring that at least 50% of her land area remains as forest as pledged in the Rio Summit in 1992)
Target b: to halve the proportion of people without sustainable access to drinking water and basic sanitation	7.2	Access to improved drinking water source	90.5% (2007)	91.6% (2009)	
	7.3	Access to improved sanitation facility	not available	97% (2007)	
<b>Goal 8: Develop a global partnership for development</b>					
	8.1	ODA received		0.0004%	of donor's GNI
	8.2	Contributions through MTCP and Malaysia's involvement in South-South cooperation			
		Total allocation spent	RM9 million	RM563 million	
Availability of the benefits of new tech, especially ICT	8.3	Broadband/internet penetration per 100 households	n/a	53.5	
		cellular penetration per 100	n/a	110.6	
		telephones line per 100 households	n/a	43.7	

Source: Malaysia's progress towards MDGs (UNCT & EPU, 2011)

The table presents remarkable achievement on most of the MDGs. Goal one for instance is a success story for Malaysia. Malaysia's long-term commitment to eradicating poverty and

achieving inclusive economic progress has been hinted as a plausible explanation for this. The ambitious goal of eradicating poverty which the country had set in 1970 pre-dates Millennium Declaration. And true to that commitment, MDG country progress report of 2005 highlights that in a 15 years progression from 1970, Malaysia has consistently halved its poverty rate (with the exception of short periods of recession, mid-1980s and 19987, where efforts stalled). Each of the indicators under goal 1A demonstrates this strand (e.g. Proportion of population below US\$ 1 (PPP) per day declined from 17% in 1990 to 4% in 2009. These efforts and the other ones highlight Malaysian state's commitment to meeting citizen's needs. The country still faces some developmental challenges like gender issues in political representations, but overall, the report above indicates a bright side for Malaysia's MDGs progress.

### **3.5. Conclusion**

With hindsight knowledge, Malaysia's economic progress since 1963 is indicative of a dynamic and pragmatic state-market relationship that is performance oriented. With a rather humble beginning at independence, the economy has grown into a vibrant diversified economy of an enviable measure. Although state faced social crisis in the early years after its formation, the country's statesmen were able to negotiate an economic truce that have kept the country stable and favourable for development. This chapter which provided a rather brief developmental history of Malaysia demonstrated among other things, that the success of development in the country is as much a result of continuity of purpose as it is of planning and implementation by committed state machinery. In particular, considering its special multiracial make-up, national planning and implementation of development has been judged a political tool aimed at controlling and balancing the differing ethnic aspirations as well as trying to sustain continued national growth and development that is inclusive. The institutional framework accounting for the impressive developmental strand registered in this chapter shall be examined in chapter five. Before then however, the next chapter profiles Nigeria's developmental experience in a manner akin to Malaysia's.

## CHAPTER FOUR

### Exploring Nigeria's developmental experience

*“Perhaps down in his heart Okonkwo was not a cruel man. But his whole life was dominated by fear, the fear of failure and of weakness. It was deeper and more intimate than the fear of evil and capricious gods and of magic, the fear of the forest, and of the forces of nature, malevolent, red in tooth and claw. Okonkwo’s fear was greater than these. It was not external but lay deep within himself.”*

Chinua Achebe<sup>27</sup> (1959)

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<sup>27</sup> Achebe (1930-2013) was a Nigerian novelist, poet and academics of a renowned figure.

## **4.0. Introduction**

Nigeria's developmental history presents a contour rippled with perplex incidences of misrule accompanied by poor socio-economic development for over four decades. Especially, this claim depicts a fair reflection of state-of-art for the Nigeria of pre-millennium. During the time, political, economic and social indicators indict Nigeria as one of the backwards Third World countries. This is ironical as the country is chronicled as rich in resources – Africa's most populous nation with abundant natural resources. Yet, pre-millennium era shows abysmal economic growth and impoverished social development.

The post-millennium era is witnessing a gradual progress especially at the economic growth front. However, this has not translated to meaningful socio-economic development for the citizens. This chapter charts Nigeria's development trajectory with a focus on the interplay between the country's political, social and economic development. Like Achebe's quote above, the major challenge to broad-based development in Nigeria is not exogenous. Rather, like Okonkwo, this chapter illustrates that Nigeria's greater problems lie within the structure of Nigeria's state-society relationship.

The chapter organisation is as follows: 4.1 maps out the political history of the country paving way to a discussion on the demographic characteristics of Nigeria in 4.2. Section 4.3 looks at Nigeria's socio-economic development where issues of development are contextualized within the country's political evolution of the pre-millennium era. Then 4.4 concentrates on the current economic prospect. Lastly, 4.5 specifically ask: how has Nigeria fared in its human development progress in decade-plus economic growth?

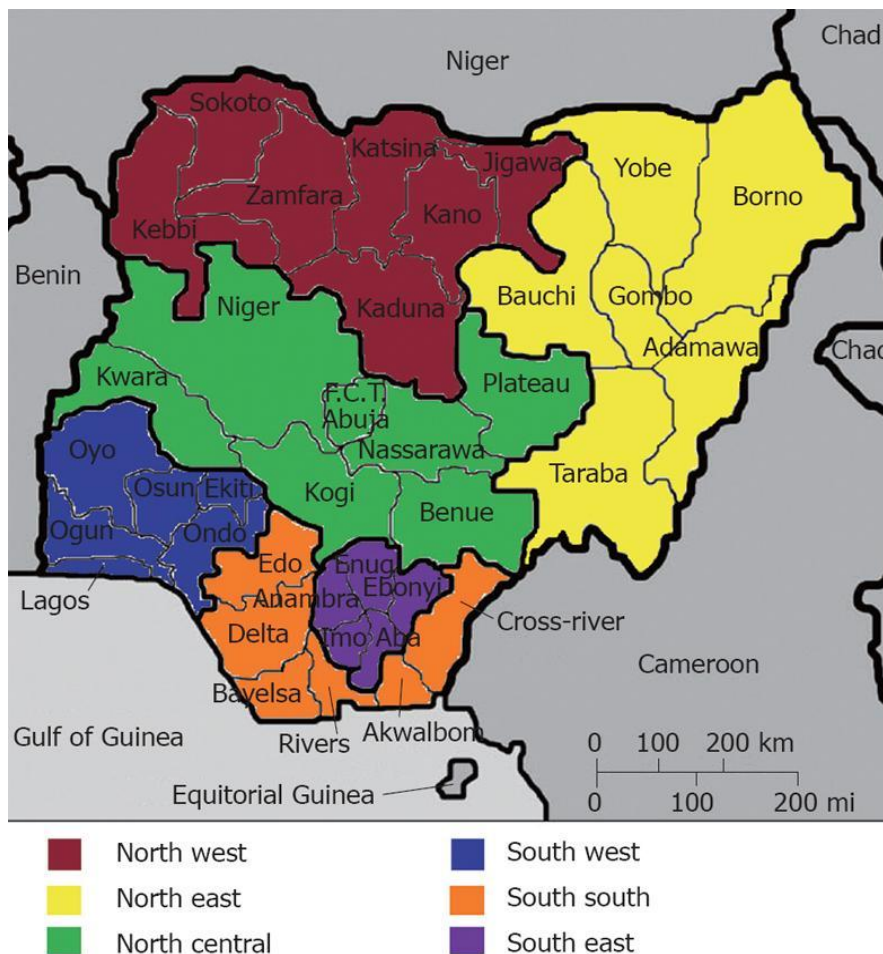
### **4.1. Brief History of Nigeria**

In 2014 Nigeria held her Centenary Celebration as a 'One Nigeria'. The import of the celebration was the commemoration of the creation of the country in 1914 by British colonialism. This was made possible through the amalgamation of two of British protectorates (Northern and Southern) located in the Eastern edge of West Africa. Before the amalgamation, the territory of Nigeria was made up of widely differing peoples and tribes. As described by a British Governor of Nigeria (1920-31), Nigeria is "a collection of independent Native States, separated from one another by great distances, by differences of history and traditions and by ethnological, racial, tribal, political, social and religious barriers" (Atofarati, 1992). This suggests that the creation of Nigeria is largely the story of the impact of British colonial affairs

in the Niger-Benue area rather than the formation of a nation by the people and cultures of these areas.

The British colonial policy, as in many other parts of the world during the time, was defined by economic and strategic interest. Arguably then, it can be said that the creation of Nigerian nation was a forced union of separate and diverse ethno-political units to serve the interest of the colonialist. The resentment among the people towards this “union” is demonstrative of the North and South divide which continues to dominate political discourse in Nigeria even till present time (Bach, 2006). This is evident on the political front where debate on central leadership has often circumscribed around which of the sections should hold key political positions. Even the notable changes in regional division in Nigeria which gave rise to six geo-political zones (North-Central, North-West, South-East, South-South and South-West; see fig. 4.0) has not obliterated the North and South divide in Nigerian politics.

**Fig. 4.0: Map of Nigeria showing its Geo-Political Zones**



Source: World J. Cardiology (2012)

Nigeria gained Independence in 1963. Since then, Nigeria has undergone series of political transformation. In particular, governance system has oscillated between civil and military rules. As table 4.0 shows, after 54 years of self-governance, the number of years Nigeria experienced civil rules is only 25 as compared to 29 years of military regimes. Sandbakken (2006, p. 142) describes this as “rounds of transition between democratic and autocratic governments”. In Nigeria, civilian rules happened from independence to 1966, 1979 to 1983 and from 1999 till present time. In between the years, were successive military regimes brought to power through coup d’état. Each coup was justified on the basis of corruption, maladministration and indiscipline of preceding government (Obuah, 2010, p. 18). While incoming military leaders sought to address these concerns, they ironically ended worse off. An exception is the regime of General Buhari (1983-85) whose iron-fist attempt to address corruption and indiscipline was laudable but also resented due to unruly means with which they were carried out.

**Table 4.0: Types of government and number of years each ruled in Nigeria**

Republics	Regime type and number of years	
	Military rule	Civilian rule
<b>First</b> (1960-79)	13	6
<b>Second</b> (1979-93)	10	4
<b>*Third</b> (1993-99)	6	5 months interim govt.
<b>Fourth</b> (1999-2014)	—	15
<b>Total</b>	<b>29</b>	<b>25</b>

\*Designates aborted Republic.

Source: author’s calculation

Besides the frequent change of government, Nigeria also experienced bitter civil conflict known as Biafra War. The secession war illustrates the fragility of the Nigerian federalism in the pre-independence arrangement (Bach, 2006, p. 64) . The 1954 arrangement bequeathed three-tier federal system of government (central, regional and local) to Nigeria. The regions were North, East and West. Later in 1967, the regions would be dissolved and replaced by states (firstly, 12 states, then 19 and a federal capital territory (FCT) in 1976, 21 states in 1987, 30 states in 1991, and 36 plus the FCT in 1996). As the regions were organised around ethnic identification – North identified with Hausa-Fulani, the East with the Igbo and the West with the Yoruba – it was inevitable that the arrangement was going to rift Nigeria’s federalism (Oyediran & Agbaje, 1999, p. 11). Particularly, the construction of the North to constitute the bigger landmass and population was perceived as a move to have the region dominate the



others. There was also an uneven distribution of skills across the region that was systematically implemented by the British administration. The colonial policy had discouraged Western education in the North where Muslims predominate but encouraged same in the South (Bach, 2006, p. 64; Oyediran & Agbaje, 1999). Consequently, in the early years of independence, while the North feared that the Southern people tend to dominate the modern governmental and economic bureaucracies, the South fears the Northern domination of the democratic political process with its sheer size. This context is a prelude to the Nigerian civil war (1967-1970).

The War was preceded by the first coup of January 1966. The intent of the ill-fated coup was to change perceived political imbalance which tilted in favour of the North. The coup was masterminded by Army officers from the East led by Major Nzeogwu and had the North-led government removed. By July 1966, the Northern military officers staged a counter coup killing the Military leader, General Aguiyi Ironsi, an Easterner that was put in place by the first coup. General Yakubu Gowon, a Northerner, got installed. About same time, riots erupted in the North that led to incessant attacks on the Easterners residing there. The looting and killing which followed created fear and furthered feelings of distrusts among the different regions. Failure to address this immediate security concern as well as long standing issues of what kind of central government Nigeria should have prompted the leaders of the Eastern Region to declare a secession ambition. This is evident in Gen. Effiong's (the Biafra administrator at the end of the war) address to his fellow "countrymen" shortly before the end of the war:

*.... Throughout history, injured people have had to resort to arms in their self defense where peaceful negotiations have failed. We are no exception. We took up arms because of the sense of insecurity generated in our people by the events of 1966.... (Atofarati, 1992).*

The declaration of Biafra as a sovereign state on 30 May 1967 eventually plunged the whole nation into brutal war that lasted for 30 months. With "victory" for "national unity" gained at the surrendering of Biafra to the Nigerian sovereignty in 1970, subsequent governments beginning with Gowon's regime, concentrated on centralizing the federal system that was before then, much decentralized<sup>28</sup>.

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<sup>28</sup> Following a constitutional crisis, in October 1954, a federal system of government was introduced. But it was one that gave Regions a larger measure of autonomy and responsibility in economic and political matters (see Ekundare, 1971, p. 140).

Currently, the government of Nigeria has three tiers, the federal, the state and the local<sup>29</sup>. There is also constitutionally separated power between the executive, the legislative and judicial arms but the practice is quite different (Oyovbaire, 2007). At the national level, the executive is headed by the President and the Vice President and they preside over the Federal Executive Council made up of federal ministers. The national legislative arms which practices Bi-Cameral structure consists of the Senate house (made up of 109 senators) and the House of Representatives (made up of 371 members). With the exception of the ministers who are appointed by the presidency, and the judiciaries, these federal positions are occupied through elections. The federal government of Nigeria is made up of 36 states and the Federal Capital Territory (FCT), Abuja. The number of officially recognised local government areas (LGAs) are 774 in Nigeria<sup>30</sup>.

In view of the divisions that marks the nation's history, the task of keeping the nation together has never been out of sight. Remarking of this, Oyediran and Agbaje (1999, p. 7) argued that "it is ironical that by 1996, 36 years after independence and 26 years after a 30-month civil war ended with the country intact, Nigeria remains divided along ethnic, regional and religious lines more than ever". The picture today is far from different. A sitting governor of Imo State, Rochas Okorocha, recently remarked on this when he stressed that "At 54, the emphasis should have been on the things that would unite us [Nigeria] as a people and as a nation and not on those things that would rather polarise the country along religious and ethnic lines" (NAN, 2014b). This fragmental element has been a challenge to broad-based development in Nigeria.

History suggests that Nigeria's political economy has been organised around patron-clientism which the ethno-religious divisions made easy. Nigeria's political economy describes a state in which "people rely on kin, on people of the same community of origin, and other hierarchically organised social ties of affection and obligation for opportunities and assistance" (Smith, 2010b, p. 19). Unfortunately, political leaders have done little on the task of nation-building. As Bariledum and Serebe (2013) affirm, elite's "ethnification" of political process that indisputably affects public policy formation and implementations in Nigeria is a challenge to the nation's development. Beginning with the first crop of politicians, the attractive national platform is to political elites, a centre to redeploy for various group interests rather than a forum for transformation (Ekundare, 1971, p. 198). The resultant effect has been a slow pace of socio-

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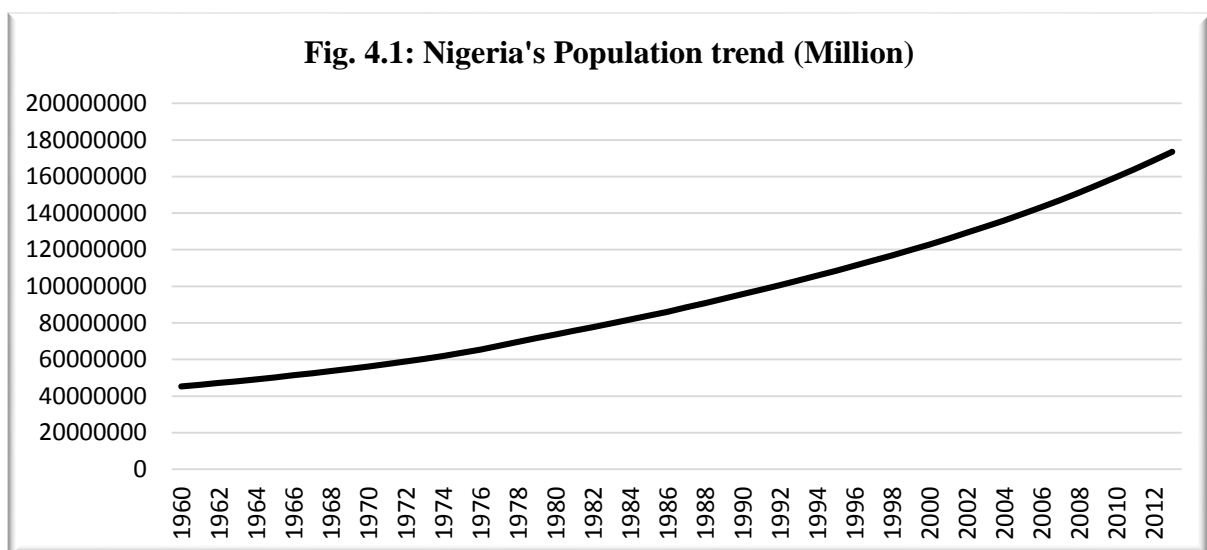
<sup>29</sup> Otherwise stated, this section is sourced from the Nigerian government site: [www.nigeria.gov.ng](http://www.nigeria.gov.ng).

<sup>30</sup> Some states like Lagos run additional LGAs without the approval of the federal.

economic development. But before turning to discussing this effect, Nigeria's demography is presented below.

## 4.2. Demographic Characteristics of Nigeria

Nigeria is considered the most populous country in Africa (Bach, 2006, p. 64). At independence, the country's population was about 45.2 million. By 2010 it had peaked to 159.7 million (see fig. 4.1). Current figure estimates that the nation has a population of 173.6 million people, one that is unequalled in the continent (UNDP, 2014). Given its current average annual growth rate of 2.8, it is estimated that the number would climb up to 271.1 by 2030. The population is however, slightly concentrated in the urban areas with a percentage of 50.9

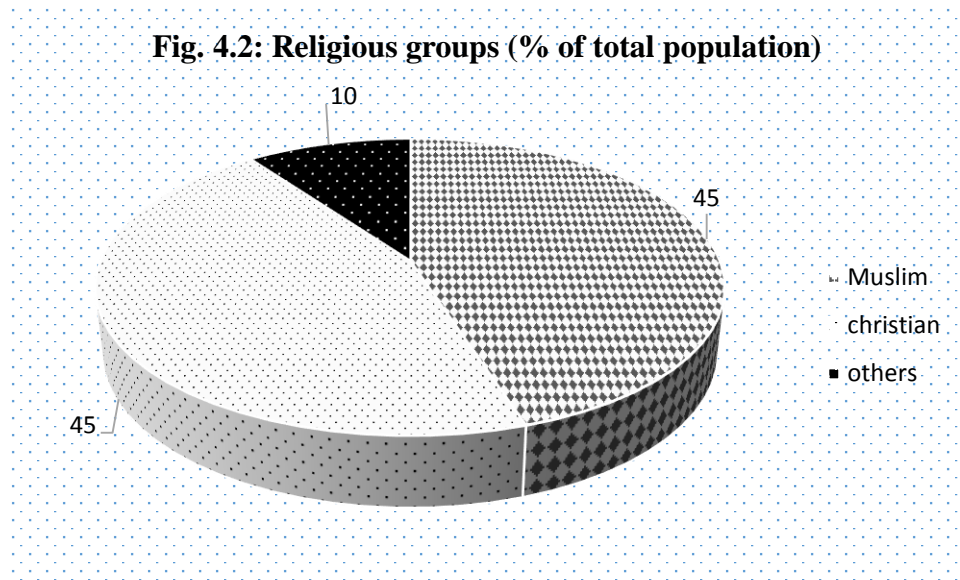


Source: World Bank, WDI (2014)

The country is very diverse ethno-linguistically and religious wise. It is estimated that there are about 250 to 400 ethnic groups in Nigeria with the three major ones being Hausa-Fulani, the Yoruba, and the Igbo. Other ethnic groups include the Ibibio, Kanuri, Edo, Tiv, Igala, Ija, Bura, Nupe etc. (Oyediran & Agbaje, 1999, p. 6). While there are no official figures describing the population distribution across the groups, Oyediran and Agbaje (1999) had estimated that Hausa-Fulani constitute about 32%, Yoruba, 21%, Igbo 18% and others 29%. This places the Hausa-Fulani group as the majority tribe.

Nigeria's religious landscape is primarily divided into three faith groups: African traditional religion (ATR), Christianity and Islam. Giving numerical value for each religious group has been a matter of conjecture just as it is with reference to ethnicity perhaps, for political reasons. The 1991 census which placed the country's population at 88.5 million, affirmed this position

by stating that any question on the ethnic or religious provenance of Nigerians is explicitly prohibited (Suberu *et al.*, 1999). In consonance with this sensitivity, the official distribution of religious groups are 45% for Muslim, 45% for Christians and 10% others (see fig. 4.2). As Suberu, *et al.* (1999) note, politico-religious issues and conflicts in the country have revolved around the activities of, and the interrelationships between, the two dominant religions in the country.



*Source:* Federal Republic of Nigeria (2014).

Next, we consider the benefit these populace have enjoyed from the politico-economic forces that have shaped the history of their country.

### **4.3. Nigeria’s Socio-Economic Development**

The socio-economic development of Nigeria parallels her political evolution. The oscillatory dynamics which marks the political sphere (e.g., the political transitions over the years) is also reflected in Nigeria’s economic evolution. The following maps this dynamism. It is divided into eras corresponding with development plan terms that have been initiated in the country. Ikeanyibe categorisation is utilized. They are, the Colonial Era, the Era of Fixed Term Planning (1962-85), the Era of Rolling Plan (1990-98), and the New Democratic Dispensation (1999 onward) (Marcellus, 2009).

#### **4.3.1. The Colonial Era**

The colonial Era planning was masterminded from outside the country. As scholars argue, it was largely exploitative, and did not really take the interest of the Nigerians into consideration (Obikeze & Obi, 2004). The Colonial plan was expenditure-related (more of a blue-print for

allocation of funds) and had little to do with developing the productive base and defining a thorough development objective for the country (Marcellus, 2009, p. 199). Despite this, a development in 1945 during the colonial era set precedence for development planning in Nigeria; it was the introduction of a Ten-year Development and Welfare Plan for Nigeria<sup>31</sup>. This became the model for fixed term planning.

#### **4.3.2. The Fixed Term Era (1962-85)**

The Fixed Term era marks the early years of self-governance and were the designs of the Nigerian elites. They include:

First National Development Plan (1962-68)

Second National Development Plan (1970-74)

Third National Development Plan 1975-80

Fourth National Development Plan (1980-85)

The First National Plan (1962-8) held promises of development for the new independent country but was marred by the political upheavals that culminated in the civil war of late 1960s. Ekundare (1971, pp. 148-149) shows that during this time, agriculture accounted for about 65% of the GDP in 1962-63 and 63% in 1966-67. During same time, the country promoted industrial growth through import restrictions. As a result, the share of industrial production in the GDP rose from 5.3% in 1962-3 to 7% in 1966-7. The plan also helped to realise projects such as the construction of oil refinery, the Niger dam, the Nigerian smelting and minting plant, the paper mill, the sugar mill, the Niger Bridge, port extensions and the construction of some major roads (Marcellus, 2009, p. 201). But all these achievements did not contribute to the social needs of the citizenry as they were undercut by the effect of the civil war.

The Second Plan (1970-74) attempted to respond to the particular need for national unity that arose from the war experience. Thus, the plan set out broad objectives to establish Nigeria as a:

- i. united, strong and self-reliant nation;
- ii. great and dynamic economy;
- iii. just and egalitarian society;
- iv. land of bright and full opportunities for all citizens; and
- v. free and democratic society (Ekundare, 1971, p. 151).

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<sup>31</sup> Unfortunately, this was not followed through in the latter years of the nation's history

Aside being vague in its directives, the plan faced challenges. Among the obstacles were the lack of political will to perform, lack of finance, corruption, and monocultural oil economy (Marcellus, 2009). Following the exploitation of oil in Nigeria, the economy became increasingly oil-dependent especially after the global oil crisis of 1973-74 which ushered in oil boom in Nigeria. Oil generated over 90% of the government's revenue, hence displacing agriculture which held sway in the early years of independence. Oyediran and Agbaje (1999, p. 7) paints the picture well; in 1965, merchandise export had this composition: 65% of primary (essentially agricultural) commodities; 32% of fuels and other minerals; and 2% of manufactures. By 1991, this composition changed to 96% of fuels and other minerals of which petroleum was 90%; 3% of primary (essentially agriculture); and 1% manufactures. The increasing dependency on oil from the 1970s onward had direct bearing on the economy after it recessed in the 1980s.

Consequently, the low rent from oil in the 1980s meant that financing government budget became increasingly difficult. This problem was even acute during the third and the fourth Plans. Government could only spend N29.43 billion out of the projected expenditure of N43.31 billion as intended for the third Plan. Similarly, only N17.33 billion was spent out of the planned total expenditure of 42.20 billion (Marcellus, 2009, pp. 201-202).

**Table 4.1: Selected HDI for Nigeria, pre-fourth Republic era**

Under-five mortality rate (per 1, 000 live births)				Life expectancy (years)			Adult literacy (%)			
							Female		male	
1960	1975	1988	1998 <sub>a</sub>	1960	1975	1987	1970	1985	1970	1985
318	230	174	119	40	46	51	14	31	35	54

*Sources:* UNDP, (1990); a = World development indicators (2001)

To describe the worsening economy differently, between 1981 and 1989 when generally Sub-Saharan Africa countries were experiencing cumulative decline of 21% in real GNP per capita, Nigeria's case was said to be severe (UNDP, 1997, p. 32). Her real GNP declined by nearly 50% making it second to only Gabon with 57%. Thus, by the close of the 1980s, socio-economic development was illusive to Nigerians. Table 4.1 illustrates the minimal and poor progress Nigeria made during the period. Life expectancy only shifted from 40 years in the 1960 to 51 in 1987. Adult literacy rate was poor, 14% and 31% in 1970 and 1985 for the female;

and 35% and 54% for male during same years. Likewise, reduction in under-five mortality rate was marginal.

### 4.3.3. The Rolling Plan Era (1990-98)

The Rolling Plan was adopted at the realisation that the Fixed Term plans were not working for the country. Notable plans include the introduction of Structural Adjustment Programme (SAP), a basic ‘reform therapy’ from the international financial institutions (IFIs). The policy made shift from a project-based to policy-based planning system and emphasized private-sector-led economy rather than the prevailing public sector-led system (Marcellus, 2009, p. 202). The oil boom of the 1970s had encouraged profligate public spending and expansion of federal government as well as government overregulation of business. Table 4.2 shows the share of government expenditure between the period of 1961 and 1987. It illustrates how federal share of total government expenditure leaped from 49% in 1961 to 72% in 1975. It also illustrates that increasingly, the region/state lost control of economic decisions to the central as indicative of the shrinking percentage of their share. Also, the public sector presence was preeminent in the economy. During the first National Plan (1962-68), private sector share of the economy was about 45%. From 1981 to 1985, it has plummeted to 14%. This clearly shows a weakening private sector.

**Table 4.2: Share of total Government expenditure**

Level of Government	Year					
	1961	1965	1970	1975	1980	1987
Federal	49%	53%	73%	72%	66%	75%
state	51%	47%	27%	28%	34%	25%
Total expenditure (in million Naira)	336	445	1,149	10,916	21,349	19,365

*Source:* Oyediran and Agbaje (1999, p. 9)

Evident of the economic problem of the country is the fact that by the end of the long savagery military rule in 1999, Nigeria’s total outstanding debt amounted to US\$28.0 billion with Paris club constituting the highest source with a share of 73.2% (Adepoju *et al.*, 2007).

The socio-economic indicators on the eve of the new democratic dispensation shows lack of meaningful progress in nation-building and the provision of improved social service for the citizenry. The 1993 UNDP (1993) illustrates this. While the country’s population soars high

(88.5 million people according to the 1991 census), Nigeria’s HDI ranking in 1993 was 142. With this, it had only about 30 other countries behind.

**Table 4.3: Poverty indicators for Nigeria, Pre-1999**

Year	National poverty lines			International poverty lines	
	Rural	Urban	National	Population below \$1 a day (%), 1997	Poverty gap at \$1 a day (%), 1997
1985	49.5	31.7	43.0		
1992-93	36.4	30.4	34.1	70.2	34.9

*Source:* World development indicators (2001)

Table 4.3 shows the depth of poverty across the nation. Using the international poverty line of US\$1 a day, in 1997, 70.2% of Nigeria’s people were living in poverty with a percentage gap of 34.9. As the national poverty line indicates, majority of these people were rural dwellers. Also, the World Development Indicator (2001) reports a widening inequality in the society. In 1996-97, percentage share of income for instance shows that the highest 10% of Nigeria’s population had 40.8% while the lowest 10% had just 1.6 percentage of Nigeria’s total income. The Gini index at 50.6 is particularly alarming. On this note, observers of Nigerian affairs were to conclude that the project of socio-economic development was illusive at the time.

#### **4.3.4. The New Democratic Dispensation Era (1999-2014)**

Given the above painted picture, it was inevitable for Nigerians to hold the expectation that a new form of government namely, a return to democracy would improve the worsening economic and social conditions (Allen, 2009, p. 163). This expectations is genuine on the part of the citizens. The state of affairs during authoritarian regimes were such that citizens could not participate in governance and neither were leaders concerned about citizen’s welfare. Secondly, the people observed other societies like those of the West as thriving under democratic governance; thus, the Nigerian’s agitation to embrace democracy. At this point, the debate on democracy and its relationship to development is deliberately avoided save to state that it is generally tendered as inconclusive (Allen, 2009). Notwithstanding, Nigeria’s aspiration for civil rule at the time was genuine in the context of the menace they suffered in the hands of military juntas. The argument seems to be that if anything, the participation in governance that democracy promises is better than a government that has little or no regard for citizens’ participation in governance. In particular, the regression from being one of the richest 50 countries during its oil boom in 1970s to becoming a leading member of the 25<sup>th</sup> poorest



countries of the world in the 1990s under the watch of military juntas beats imagination (Dode, 2010, p. 2) and lends credence to the people's aspiration.

Today, it is fifteen years since the return to democracy. The bugging question in the people's mind seems to be that: to what extent has the collective aspirations of the people being met? Or, in another form, to what extent has Nigeria's people's life being bettered in the new dispensation? Bear this questions in mind as Nigeria's political economy of the millennium is briefly x-rayed below.

One characteristic feature of Nigeria's democracy is electoral process. Since the return to civil rule, four general elections have been held: 1999, 2003, 2007 and 2011 elections. The corresponding presidencies are the Gen. Olusegun Obasanjo two terms, the Musa Ya'Adua/Johnathan shared term, and the Goodluck Johnathan current term. In all the elections, the party with majority rule has been People's Democratic Party (PDP), and the current opposition is the All Progressive Congress (APC). Wide irregularities have been recorded in virtually all the elections (Olarinmoye, 2008). And a new election is scheduled to hold next year 2015.

At the policy level, series of development planning has emerged in the current republic. During Obasanjo administrations, there were the National Economic Direction (1999-2003) and the National Economic Empowerment and Development Strategy (NEEDS) (2003-2007). Both plans followed the policy-based approach to planning and were greatly influenced by the SAP legacy as well as MDGs commitment (Dode, 2010). For instance, the first policy aimed to develop an economy that is highly competitive, responsive to incentives, private sector-led, diversified, market-oriented and open, but based on internal momentum for its growth (Donli, 2004). This to a large extent, is reminiscent of SAP. And for NEEDS, its key focus was on wealth creation, employment generation, poverty reduction and value reorientation (Marcellus, 2009, p. 204), and these are arguably aligned with MDGs.

But one noticeable analysis offered on the direction of policies in this era is an increasing consolidation of neo-liberal approach to economy. Marcellus (2009, p. 205) for instance, affirmed that The NEEDS further consolidated the neo-liberal approach in Nigeria's economy and changed the structure of mixed economy to market-driven economy. Official reports tend to credit this policy as having imparted positively on Nigerians. For instance, the Central Bank of Nigeria (CBN, 2005, p. 75) claims that the incidence of poverty declined from 70% in 2000 to 54.4 % in 2004. But as Marcellus argues, the figures are rather deceptive. For instance, the

special programmes through which poverty eradication was to take place like the National Poverty Eradication Programme (NAPEP), performed sub-optimally (Marcellus, 2009). In fact, the policies pursued under the Plan were anti-employment as expected given its reform tendencies. For instance, the bank sector reform led to loss of jobs. CBN alone sacked 804 workers (CBN, 2005). But on the point of value-orientation, NEEDS initiated effort to redeem Nigeria's image especially with regard to corruption.

Particularly, the Obasanjo's administration revived the fight against corruption as demonstrated by the activities of agencies like the Economic and Financial Crime Commission (EFCC)<sup>32</sup> and the Independent Corrupt Practices Commission (ICPC) during his tenure. From institutional perspective, the agencies faced challenges arising from political centralisation and the doctrine of immunity of elected public officers as inscribed in the 1999 constitution (Obuah, 2010, p. 21). Despite this, as at October 2014, EFCC for instance was said to have convicted over 800 persons of all suspects charged with corrupt practices since its formal take-off (Idowu, 2014). Some of the celebrated high profile cases included Joshua Dariye and Diepreye Alamieyeseigha, two former state governors of Plateau and Bayelsa States respectively. Dariye alone was said to have admitted to a fraud totalling US\$79 million, and both men were tried in United Kingdom and had their assets worth 34.6 million pounds seized by British Metropolitan Police<sup>33</sup>. Obuah (2010, p. 28) provides some interesting lists of other activities of the commission:

The former governor of Lagos State, Major General Mohammed Buba Marwa; the former Chairman of the Nigeria Ports Authority, Bode George; the bribery scandal and fraud involving members of the National Assembly Committee and the Minister of Education over budget matters; ... the investigation of all state governors and local government officials as of December 2006; the thirty-year imprisonment of civil servant fraudsters in 2008; the trial of the Chairman of the National Electricity Regulatory Commission; and the trial of Mallam Nasir ahmend El-Rufai, the Minister of the Federal Capital Territory, Abuja, 2009

Undoubtedly, these efforts constitute a tip of the iceberg as indicated by Nigeria's profile in Corruption Perceptions Index of Transparency International (CPI-TI) which have constantly ranked the country low (current position, 144/177). Importantly, however EFCC contributed to the renewed confidence of investors and the improvement of Nigeria's image in the

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<sup>32</sup> Established in 2002, the body's mandate includes preventing, detecting, investigating, and prosecuting cases of economic and financial crimes in Nigeria (Obuah, 2010)

<sup>33</sup> Editorial, (April 29, 2012). Monitoring forfeitures of convicted ex-public officials. *Punch*.

international arena. As Obasanjo's tenure was ending however, NEEDS was judged a failure arising from infrastructural crisis, high poverty level, high dependence of the economy on oil exports, high cost of production, low contribution of secondary activities to yearly GDP and high import dependence of the economy (Marcellus, 2009, p. 207).

With 2007 election, Yar'Adua/Johnathan's administration recommitted government's effort to address citizen's welfare. The outcome of this was the declaration of the Seven-Point Agenda (also known as Vision 2020) which vowed to place Nigeria among the twentieth most prosperous nation of the world by 2020. The following outlines the focus areas of the agenda:

- 1) Critical infrastructure
- 2) Niger Delta
- 3) Food Security
- 4) Human Capital Development
- 5) Land Tenure and Home Ownership
- 6) National Security and Intelligence
- 7) Wealth Creation (Dode, 2010, p. 4).

Undoubtedly, the Agenda captures to a large extent the areas of need at that time and most (if not all) remain pertinent today. For example, the power sector which capped first on the list, has been and still remains a challenge to Nigeria's development. Although, Nigeria is richly endowed with energy resources (crude oil, natural gas, coal, etc.), her energy sector is underdeveloped and marked by shortages and supply constraints (Akinlo, 2009). Consequently, electricity production and consumption is impaired and problems of blackout and constant interruptions are widespread across the country. The challenges the sector face includes endemic corruption, lack of spare parts, poverty and manpower shortage, aging power stations, incessant shortage of gas supply to the plants and inefficient management (Dode, 2010, pp. 44-5).

Unfortunately, little was done by the Yar'Adua administration to consolidate the effort of his predecessor in the nation's power sector reform. In particular, the plan to increase production output put in place by Obasanjo which includes the completion of the National Integrated Power Project (NIPP) stalled during the 7-point Agenda (Dode, 2010). The project was starved of funds and abandoned. Consequently, the gain of the Obasanjo's tenure which saw the country producing 3,200 megawatts retrogressed to about 800 MW generation capacity at the time of Yar'Adua's rule (Dode, 2010, p. 5). The implication arising from the epileptic power supply meant that most businesses ran with the help of alternative energy which increased cost

of production. Already, Akinlo's (2009) study points to a unidirectional causality running from electricity consumption to economic growth in Nigeria.

In 2009, President G.E. Johnathan, like his predecessor Yar'Adua, launched "Transformation Agenda" (TA) which formed part of the Vision 20-20-20. In the spirit of the Vision, the TA was envisioned as "economic development blueprint intended to provide the direction for the country's growth and development" and thereby launch Nigeria "onto a path of sustained and rapid socio-economic development and place the country in the bracket of top 20 largest economies of the world by 2020" (Udefi, 2014, p. 5). The plan also prioritises sectors such as education, health, energy, security etc. Observation shows that the massive improvement envisioned in the sectors are far from realisation. Analysis of both health and education sectors demonstrates this claim.

As Udefi (2014, p. 5) affirms, education and health sectors are laden with dilapidated infrastructural facilities and poor funding. The health sector for instance, has been deteriorating over the years. Largely, the burden of health care financing lies mainly on individuals. As Gustafsson-Wright, *et al.* (2008, p. 1) observed, private expenditures takes 70% of total health expenditures and out-of-pocket expenditures takes 90% of private expenditures. This has dire consequences for the poor who lack sufficient fund to access healthcare facilities.

The prevalence of strikes in the health sector compounds the problem. As of September 2014, the Nigerian Medical Association (NMA) went on "total" and "indefinite" strike on July 1<sup>st</sup> to August 25, 2014 (Ikhariale, 2014). The reasons for the strike, among other things, is NMA's demand for the rehabilitation of facilities like the Lagos University Teaching Hospital (LUTH) that is in gory state. Ironically, while the nation's health care system is a sham with attendant consequences for the citizens, it has become a norm that once a member of the nation's elite develops any medical condition (be it minor or serious), the person is flown away from the country (Ikhariale, 2014). This is not only embarrassing; the implication on the economy and on the transformation of the nation is grave as it diverts investment away from the country.

Similarly, the education sector is yet to experience the envisaged transformation. Instead, quality education appears elusive in Nigeria, especially for the poor. Studies in the tertiary sector for instance, identifies poor infrastructures, low morale of students, poor curriculum designs, quality of teachers as well as their ratio to students, and frequent strikes as problems facing the sector (Dumbili, 2014; Jaja, 2014). On the funding, the level of government expenditure as indicated in yearly budgetary allocation is very marginal compared to the

expected UNESCO (United Nations Educational, Scientific and Cultural Organisation) recommendation of 26% of country's GDP (Jaja, 2014, p. 23). For instance, data from Nigerian Bureau of Statistics (NBS) shows that the share of education expenditure as a ratio of total government expenditure in 1999 was 8.6%. It decreased to 6.4% in 2002, and had since remained in 6 figure with 2008 reportedly being 6.8%.

Instead of attending to the needs of the sector, the move by the government to deregulate the education sector in 1999 has led to what Dumbili (2014) called the “McDonaldization” of Nigerian universities. This phenomenon is not limited to the tertiary level but is also evident in both primary and secondary schools. At the tertiary level, the effect includes the prioritization of quantity over quality as most of the mushrooming academic houses are incapacitated to drive efficiency. Lastly, capital flight (money leaving the country) due to excessive Nigerian students seeking education outside is on the increase. This development is a response to the unwillingness of governments at different time to prioritize education even as each always rhetorically acknowledges its value as instrumental to social transformation (Agbaje, 2011, p. 23).

#### 4.4. Current Economic Prospect

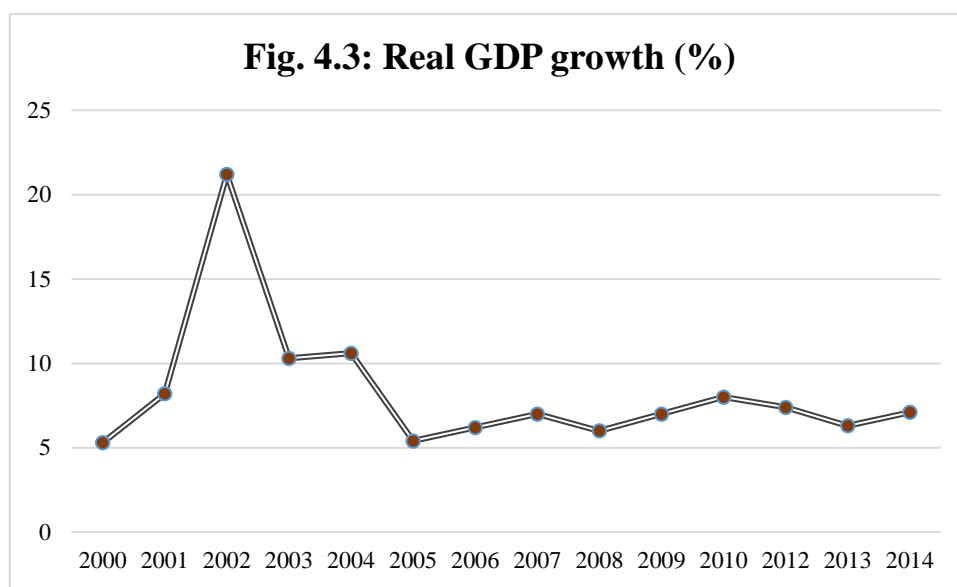
With the April 2014 rebased GDP figure of US\$510 billion (2013), Nigeria is not only big by share of population but the largest economy in Africa and the 26<sup>th</sup> in the world (Leke *et al.*, 2014). As far as capital inflows is concern, the last three years has been particularly bright for Nigeria. A significant amount of FDI have been pumped into the economy. The larger beneficiaries are the oil and gas, banking, manufacturing, and telecommunications subsectors (IMF, 2014, p. 5). FDI and portfolio inflows increased from 3.4% in 2010 to 7.9% of GDP in 2012. With a positive outlook, IMF forecasted that growth is expected to increase from 6.4% in 2013 to 7.3% in 2014. This resonate relatively well with official figures coming from Nigeria. Table 4.4 shows how the GDP at current Basic prices leaped from N54, 612,264.18 in 2010, the base year, to N80, 092,563.38 in 2013.

**Table. 4.4: Nigeria's GDP Rebased figures (in N-Million)**

	2010	2011	2012	2013
GDP at Current Basic Prices	54612264.2	62980397.2	71713935.1	80092563.4
GDP at 2010 Constant Basic Prices	54612264.2	57511041.8	59929893	63218721.7

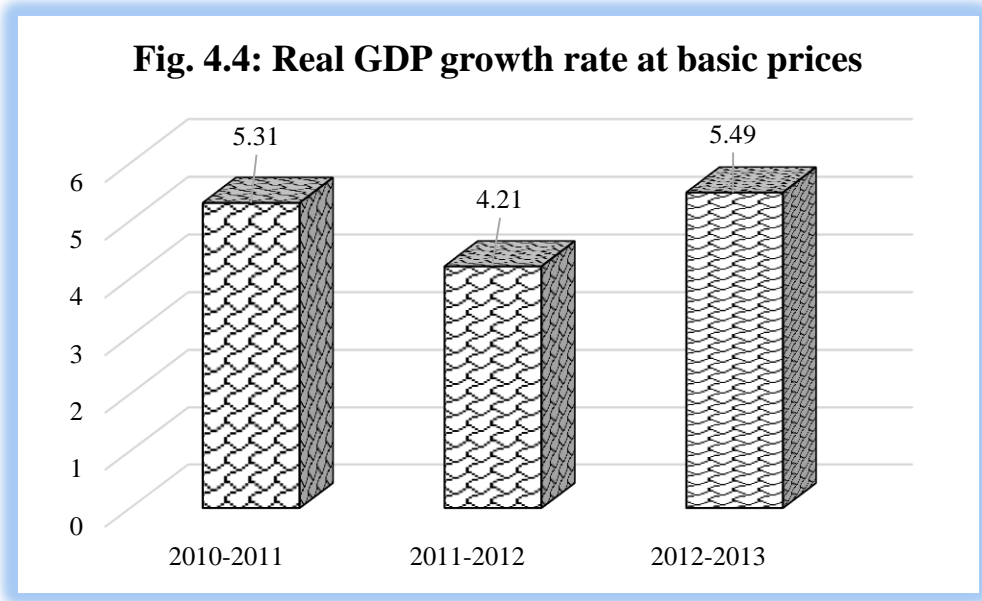
*Source:* NBS (2014).

Similarly, between 2000 and 2012, the country's real GDP growth rate averaged 8.55% (from fig. 4.3). Figure 4.3 shows the variation across the years with 2000 recording the lowest of 5.3% and 2002 being the outlier with 21.2%. The estimate for 2013 and 2014 were 6.3% and 7.1% respectively. Also, after a double digit of average inflation rate of 2012 (11.98), inflation rate has been stabilised to one digit of 9.76 in 2013 and 9.49 (forecasted) in 2014 (NBS, 2013, p. 15).



Source: World Bank, WDI (2014).

The current growth has been supported partly by a rebound in oil production and positive effects of reforms in power and higher agricultural production as well as stable monetary policy. Leke *et al.* (2014) study claims that the economy is undergoing restructuring. In particular, the share of natural resources as percentage of GDP is shrinking with current figure being 14%. Also, the study notes that since 2010, GDP growth has been nurtured by improving productivity which contributed 55% of total growth, more than labour-force expansion. With a more diversified economy, oil production dropped in recent years with the resources sector growing by 2.2% a year while non-petroleum sector is at 7.1%. The contributing subsectors are manufacturing, real estate, communications, and other services with agriculture being the largest. However, this has not changed revenue structure for the government significantly. “Nigeria remains highly dependent on oil” as its 75% of federal revenue comes from oil and gas sector and the sector makes up 90% of exports (Leke, *et al.*, 2014, p. 12). This clearly indicates that the sector is still the support for government's expenditures. And given that oil revenue also ultimately ends up as earnings for individuals, oil price volatility continues to pose challenge to Nigeria's economy.



Source: NBS, 2014.

In light of this economic growth, it is pertinent to ask to what extent has Nigeria’s human development fared. Recall that Joshi’s DS framework particularly identified that meeting MDGs mirrors DS developmental goals. Hence, the following presents Nigeria’s MDGs indicators since the millennium as a measure of the country’s development progress.

#### **4.5. MDGs: Nigeria’s Current State-Of-Art**

Similar to what was done in the section that treated Malaysia’s progress towards MDGs in chapter three, selected indicators of the eight MDGs are presented here to reflect Nigeria’s progress in development.

##### **4.5.1. Goal-One: Eradicate Extreme Poverty and Hunger**

Under MDGs-One, Nigeria’s progress on eradicating extreme poverty and hunger has been judged a failure (Oshewolo, 2011). Pool of statistics<sup>34</sup> give credence to this appraisal. Although the MDGs reference year for this goal is 1990, for the reason of data availability, 1992 was chosen as the base year for Nigeria. Poverty prevalence measured in terms of US\$1 a day for that year was 42.70%. Hence, the MDG-one target was to half this by the year 2015 (21.40%). As table 4.5 shows, other than meeting this goal, national poverty trend has actually been on the increase. Other than reducing the 1992 figure, US\$1 per day measurement of poverty rate rose to 51.6% in 2004 and has further increased to 62.8% in 2010.

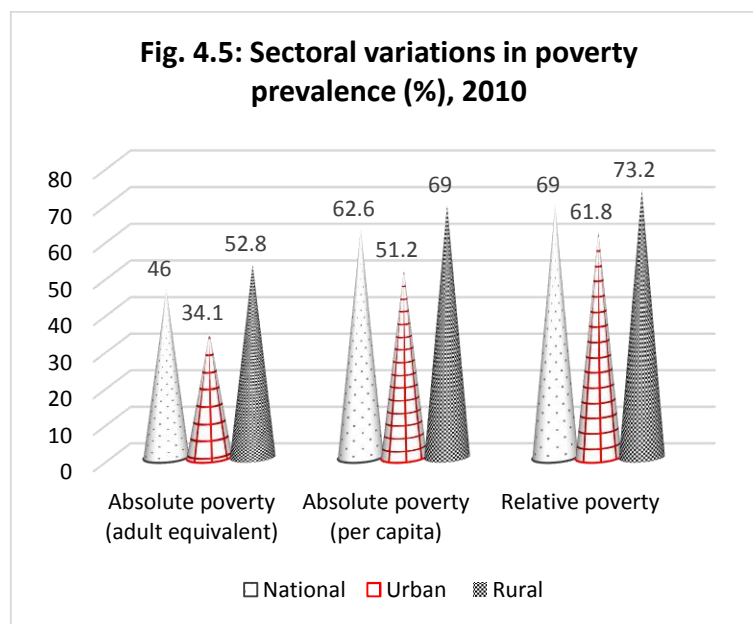
<sup>34</sup> Otherwise stated, statistics presented in the discussion on Nigeria’s MDGs are sourced from UNDP-Nigeria (2013)

**Table 4.5: National poverty trend in Nigeria**

Types of Poverty Measurement	2004	2010	2011e
Relative	54.4%	69.0%	71.5%
Absolute	54.7%	60.9%	61.9%
US\$1 per-day	51.6%	61.2%	62.8%
Subjective	75.5%	93.9%	

Source: NBS-HNLSS (2010)

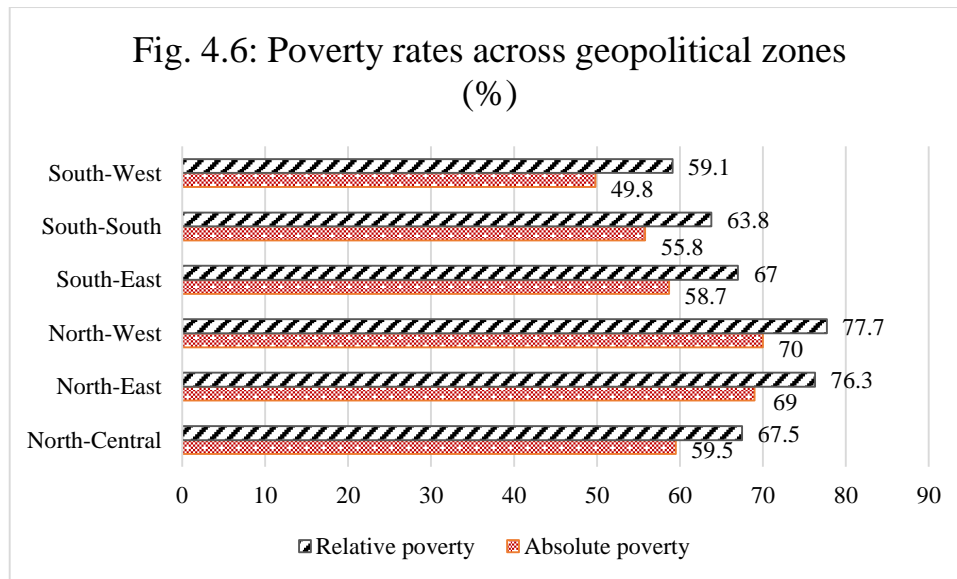
Absolute and relative poverty follows similar pattern. Table 4.5 shows an increase of 17.5% between 2004 and 2011 for relative poverty rate. Likewise, absolute poverty stood at 60.9% in 2010 having increased by 6.2% from 2004 figure. The three measures then show a staggering gap between the actual value and the target value. People’s perception about poverty prevalence equally indicate that poverty is widespread and intense; that 2004 recorded 75.5% and 2010, 93.9% indicate the regressive direction the country has followed.



Source: UNDP-Nigeria (2013)(2013)

Poverty prevalence varies across sectors in Nigeria, and this points out the level of regional inequality within the country. Statistics (fig. 4.5) shows that there are more poor people in the rural than in the urban areas. For instance, relative poverty stood at 73.2% in 2012 for the rural area and 61.8% for the urban area. Similarly, geopolitical inequality is prevalent in the country. Figure 4.6 indicates that poverty is widespread in the northern part of the country with North-West and North-East having more poor people both in terms of relative and absolute poverty than their southern counterparts. In terms of relative poverty for example, the lowest rate is in the South-West (59.1%) while the highest is in the North-West (77.7%).



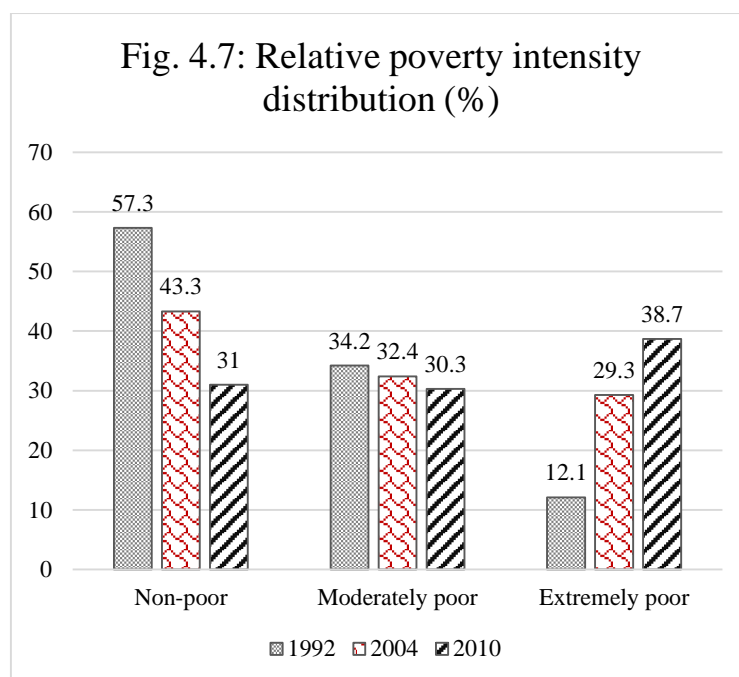


*Source: NBS-HNLSS, (2010)*

Furthermore, statistics attests to income inequality as increasing. The NBS-HNLSS report shows that *Gini-coefficient* which measures income inequality<sup>35</sup> rose from 0.429 in 2004 to 0.447 in 2010. In addition, consumption pattern in the country mirrors the income inequality. The report stated that the top 10% income earners shares 43% of total consumption expenditure of the country while the top 20% shares is above the average (59%) of the total consumption, and the top 40% have 80% of the country's total consumption expenditure. By deduction, it can be said that 60% of Nigeria's populace are responsible for just only 20% of the country's total consumption!

NBS-HNLSS statistics also report on the progress Nigeria has made in terms of poverty density. Using only relative poverty index, it distributed Nigerian population into three categories: non-poor, moderately poor and extremely poor. As figure 4.7 shows, while the moderately poor were reduced between 1992 and 2010, the class of extremely poor have actually increased from 12.1% to 38.7% in same period. Consequently, the population of non-poor is shown to have shrunk from 57.3% in 1992 to 31% in 2010.

<sup>35</sup> Gini coefficient is reportedly a most common measure of inequality which rates society from 0 (completely equal state) to 1 (completely unequal state) (Alkire & Santos, 2009).



*Source: NBS-HNLSS (2010).*

From the foregoing, it leaves little doubt to conclude that Nigeria is far short of meeting goal one come 2015. It also follows that the recent gains in economic output which African Economic Outlook (2014)<sup>36</sup> and other agencies rated as impressive has largely been unequal, and have far failed to raise income for the poor. This sentiment is widely shared among observers of Nigeria's political economy (Anger, 2010; Eme, 2014; Nweke, 2012; Ojewumi & Ojewumi, 2012; Oshewolo, 2010, 2011; World Bank, 2011; Yusuf, 2014). Given this trend, it is not out of place that Nigeria is ranked among the poorest countries in the world in view of its share number of poor people (Oshewolo, 2011, p. 12).

**Table 4.6: Nigeria: unemployment trend, 2000-2009 (%)**

Years	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Unemployment rates (%)	13.1	13.6	12.6	14.8	13.4	11.9	12.3	12.7	14.9	19.7	21.1	23.9

Source: NBS-HNLSS (2010)

Trends in unemployment rate in Nigeria further cast doubts on the country's progress in MDGs generally. From 2000 to 2009, the unemployment rate has varied many times (table 6.1).

<sup>36</sup> It is reported that Nigeria's growth rate in recent time is higher than the West African sub-regional level and far higher than the sub-Saharan African level.

Capped at 13.1% in 2000 it went low in 2005 but have since been on the increase with 2009 being 19.7%. The last available data in 2011 indicates unemployment to be at 23.9%.

In terms of hunger as a sub-index of goal-one, Nigeria has made considerable effort. UNDP-Nigeria MDGs Report (2013) shows that in 1990, the proportion of under-five children that were underweight was 35.7%. This figure has been reduced to 24.0% in 2011 as against the target of 17.85% by 2015. The progress can be attributed to the transformation taking place in the agricultural sector. However, in view of the increasing instability in the north which has been the historical agricultural hub of the nation, it is doubtful whether this effort has been sustained till now. Meanwhile, in comparison to global effort, Nigeria needs to do more to combat hunger as she ranked 40<sup>th</sup> out of 79 countries in 2012 Global Hunger Index. This is why Nigeria is still classed as a country “seriously “suffering from hunger (UNDP-Nigeria, 2013).

Following these trends, World Bank has forecasted that if necessary measures are not taken, Nigeria will remain among 10 countries that would contribute to global poverty in 2030 (Omoh, 2014). This is embarrassing as the global world achieved Goal-one five years ahead of schedule for having halved world poor population living on US\$1.25 a day from 43% in 1990 to 21% in 2010 (World Bank, 2014/2015). Disconcertingly, the World Bank Global Monitoring Report (2014/2015) asserts that Nigeria, alongside Bangladesh, China, the Democratic Republic of Congo and India have the three-fifths of the world’s extreme poor.

#### **4.5.2. Nigeria and Other MDGs**

In other sub-themes of MDGS, Nigeria presents mixed results. Under **Goal-two** for instance, Nigeria has recorded commendable progress. Particularly, aided by the implementation of the Universal Basic Education, improved policy environment and better intergovernmental coordination (Oshewolo, 2011, p. 223), basic education has become more accessible to people., Despite a teetering trend, Nigeria is on track to meet the 2015 target of achieving universal primary education as 80.0% has already been achieved with reference to the three indicators – net enrolment rate, gross enrolment rate and primary six completion rate. UNDP-Nigeria report indicates that net enrolment in primary education rose from 68.0% in 1990 to 88.80% in 2008, just 11.90% away from the 2015 benchmark. In similar tune, primary six completion rate shifted from 58.0% in 1990 to 87.70% in 2012. Interestingly, literacy rate of 15-24 year olds (men and women) rose from 64.10% in 2000 to a peak of 81.40% in 2007, and then plummeted

to 66.01% in 2012. This last trend suggests that we should be concerned about the quality of education being offered even as the quantity is on the increase (more would be said shortly).

Nigeria is also making progress with **Goal-three – promote gender equality and empower women**. Gender disparity in primary and secondary education is levelling off gradually. Ratios of boys to girls (girls per 100 boys) in primary education rose from 76% in 1990 to 90% in 2012 and from 75% to 88% for secondary education; then from 46% in 1990 to 66.82% in 2008 for tertiary education. Percentage share of women in wage employment in the non-agricultural sector also shifted from 6.6 in 1990 to 14 in 2012, and the proportion of seats held by women in national parliament made similar feat from 1% in 1990 to 35% in 2012. While in terms of education, there seems to be recognisable progress, the last two indicators show limited progress.

There is also considerable effort to meet **Goal-four of reducing child mortality**. Statistics indicates that infant mortality rate (per 1000 live births) first increased from 91 in 1990 to 110 in 2005, then decreased to 75 in 2008 and 61 in 2012 (30.3 as target). Under-five mortality rate (per 1000 live births) also decreased from 191 in 1990 to 94 in 2012 (target is 63.7). And percentage of fraction of one year olds fully immunised against measles rose from 46 in base year to 61.03 in 2012 (target, 100). Given the difference between the actual figures and the target figures, meeting the MDG-four still appears a daunting challenge for Nigeria.

**Goal-five** results in Nigeria are also mixed. The 2015 benchmark for the goal is to reach 250 maternal mortality rate per 100, 000 live births. Progress report shows that from the 1000 figure in 1990, Nigeria's maternal mortality rate decreased to 800 in 2004, then 545 in 2008 and 350 in 2012. In contrast to this achievement, percentage of proportions of births attended by skilled health personnel is far from the target of 100 as the country has only managed to increase it from the 45% in 1990 to 53.6% in 2012.

The progress on **Goal-six – combat HIV/AIDS, malaria and other diseases** – has also been mixed. On the positive side, the prevalence and death rates associated with tuberculosis (per 100, 000) in Nigeria reduced from 15.74% in 1990 to 5.0 in 2012. However, HIV/AIDS management have not enjoyed similar success. Particularly, HIV prevalence among young pregnant women aged 15-24 was reduced by 0.30% from 1990 to 2012. Also, malaria continues to pose challenge to public health in Nigeria. Oshewolo (2011, p. 225) reports that Malaria accounts for 60% of all outpatient attendance, 30% of all hospital admissions, and 300,000 death annually in Nigeria.

**On Goal-seven – ensure environmental sustainability** – Nigeria’s ever increasing population which raises demands for natural resources strains available physical resources. This threatens environmental sustainability through deforestation (3.5%), erosion, desertification, gas flare and oil pollution (Oshewolo, 2011). For instance, in 2000, the proportion of land area covered by forest was 18.90%. By 2012, it has been reduced to almost half (9.80%). UNDP-Nigeria (2013) report further indicates that effort to provide sanitation and safe drinking water is limited in Nigeria. The percentage of population using an improved drinking water source marginally increased from 54.0 in 1990 to 57.40 in 2012 (target, 77.0). In contrast, the proportion of population using an improved sanitation facility actually fell from 39.0% in 1990 to 33.70% in 2012 (2015 target, 70%). Housing also remains a crisis area for the country, especially for the urban areas. Given the increasing rural-urban migration, urban population which is estimated to hit 60.0% by 2015 is said to be having about 56 million Nigerians (70% of urban population) living in slums and shanty settlements.

Under **Goal-eight – develop a global partnership for development** – report indicates that Nigeria has enjoyed favourable partnership with the First World over the decade and plus. The critical event in this regard was the country’s exit from the Paris Club creditors in 2005 (Oshewolo, 2011, p. 226). UNDP-Nigeria (2013) shows a reduction in debt service (% of exports of goods and services) from 9.71% in 2000 to 1.44% in 2007 and 0.12% in 2012. Official Development Assistance (ODA) and FDI attraction is also on the increase. Per capita ODA to Nigeria rose from US\$3 to US\$9.2 in 2011. Also integration with the global world through communication has been impressive for the country. Cellular phone subscription was non-existent in 1990 but by 2012, it was 59 per 100 population. Similarly, internet usage also rose from 0.06 users per 100 population in 2000 to 28.43 in 2012. There remains much to be done in this regard, particularly in terms of telephone usage as it remained underdeveloped (still 0.40 users per 100 population).

#### **4.6. Conclusion**

Nigerians have had a fair share of uneven evolution of socio-political and economic history since their country was formed in 1914. As the present chapter demonstrated, at the political level is a characteristic instability, the social level a geo-ethnic and religious divisions, and the economic level a largely paradoxical performance. The relationships within these three spheres and the effects they produced in the Nigerian context are clearly a product of the state-society nexus. Economic growth and development of Nigeria as illustrated in this chapter is squarely tied to the socio-political structure of the country. The picture speak largely of a condition in

which institutional frameworks within which the state interacts with citizens have helped to skew social benefits to the former and its principals while citizens' welfare remain abysmally attended. Among other things, the chapter profiled Nigeria's MDGs progress report as a parallel to her recent economic growth. The report indicates a mix result with the country reported to have performed reasonably well in terms of goal two, five, six and eight. But the core goal one (eradicating poverty) and five remains a dismal performance, and the chances are that Nigeria would not meet the benchmark come 2015.

Thus, the next chapter compares this picture with Malaysia's as presented in chapter three. The focus of the discussion would be on the institutional aspect of the states and their relationship to the different developmental outcomes outlined so far.

## CHAPTER FIVE

### Examining The Institutional Factors: Malaysia and Nigeria's Developmentalism Compared

*“Without appropriate public policies, economic growth can end up being **jobless** without increased employment opportunities; **ruthless** with benefits going mainly to the rich rather than the poor; **voiceless** without an expansion of empowerment and political engagement; **rootless** by stifling rather than encouraging cultural diversity; and **futureless** by depleting natural resources rather than being environmentally friendly”*

(Spence, 2009)<sup>37</sup>

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<sup>37</sup> Randy Spence was once a Director of Economic and Social Development Affiliates (ESDA)

## **5.0. Introduction**

The distinct features of both Malaysia and Nigeria cannot be overemphasized. Their geographical location alone indicates that this claim is true. However, their differences does not preclude shared experiences. The developmental trajectories traced in the last two chapters indicates that the two countries are comparable.

This chapter's task is twofold. It compares both countries' experiences of development articulating areas in which they are similar and those that shows dissimilarities. Furthermore, the impacts of the institutional state on development in both countries are highlighted. It is reiterated that the analytical tools of developmental state theory underscores the chapter's task. DS construes the state as indispensable player in national development process especially for developing nations (Agbaji, 2011). Identifiable attributes of a DS state has been given to include: (1) developmental-oriented leadership, (2) state autonomy and embeddedness, (3) state-society partnership, (4) performance-oriented governance, and (5) pro-growth and – development interventions (Dassah, 2011; Evans & Rauch, 1999; Joshi, 2012; Mkandawire, 2001b). These attributes revolve around three agents that characterise the state-society relations which is the hallmark of DS: the ruling elites, the bureaucracy, and the society. The central argument is that the effectiveness of a state to propel development is dependent on the efficacy of their union. This point is appreciated in Spence's opening quote to this chapter. Where the relationships of the trio functions properly, the social ills Spence adumbrated – joblessness, inequality, deprivation of inalienable rights, insensitivity to differences, and unsustainable pursuit of development – tends to be minimal.

The chapter begins by comparing the structures of the states in section one and goes on to examine governance in both countries in section three. Then bureaucracy is discussed in section four while five examines the society.

### **5.1. The Structure of the States Vis-À-Vis Development**

The history of the formation of Nigeria and Malaysia's states as well as the evolution of their substantive compositions share certain features. The foremost is the shared colonial heritage. Both countries were colonized by Great Britain. While Malaysia's independence happened earlier in 1957, Nigerians experienced self-governance three years later. The two preceding chapters made assertion that most contemporary issues with regard to civil cohesion in the two countries owe allegiance to their colonial experience. In the case of Malaysia, selective colonial policies discouraged mixing up of both indigenous people and the migrant workers (Cho,



1990). This later turned out to produce socio-economic inequalities that were remarkably biased towards the *Bumiputeras*. The situation was not different in Nigeria's case. Again, British divide-and-rule tactics were judiciously used. Selective education policies encouraged the southerners to embrace western education while the northern region was left out. This situation which created fear of domination (political for the southerners and economical for the northerners) on both side of the divide has been blamed for civil polarity in Nigeria.

Another marked similarity between both countries is the experience of civil unrest. In the case of Malaysia, the communal bloodshed of May 1969 Kuala Lumpur riots remains a watershed in the Malaysian history (Barraclough, 1985, p. 797). In comparison, Nigeria's 30 months civil war (1967-70) was of high magnitude in terms of human, social and economic losses. Both countries demonstrated commitment never to repeat the bitter history by instituting measures to checkmate their future occurrence. In particular, the crises lead to the emergence of a contextual federalism in both countries as a means to balance power between existing factions. The forms they took would be looked at shortly. Suffices to note that the proximate causes of civil unrests in both countries can be linked to competitions between sectional groups over control of the state.

The civil unrests in Malaysia were induced by tensions arising from May 1969 election in which results tilted power to opposition parties who were predominantly Chinese (Drabble, 2000, p. 196; Cho, 1990). Malays fear of losing their political dominancy then resulted in the race-riots. Similarly, Nigeria's civil war was caused by alteration of political equation through a military coup. Ataforati (1992) alludes to this when he asserts that the immediate cause of the war can be "identified as the coup and counter coup of 1966 which altered the political equation and destroyed the fragile trust existing among the major ethnic groups". Thus, the difficulty to negotiate social relationships associated with plural society explains the civil unrests in both countries. In Nigerian case, this position has been appreciated elsewhere and it continues to provide insights to Nigerian pluralistic polity (Alubo, 2007, p. 209).

What do these crises tell us about the evolution of statehood in both countries? To begin with, in terms of life span and scope of coverage, the two civil unrests are incomparable. While Malaysian crisis was short-lived and largely restricted to Kuala Lumpur, Nigerian civil war engulfed more than half of the country and lasted for 30 months. How each country responded to the crisis remains a decisive point of history as far as the structure of their state is concerned. Also, the manner in which the crisis was dealt with say something about the capacity of the

state to respond to national crisis with a view of enhancing social cohesion needed for development.

On the Malaysian side, the crisis was shortened and limited to Kuala Lumpur through the effective use of force. One crucial factor responsible for this is security mechanism that the state had inherited. At independence, the Alliance Government inherited a sophisticated coercive machine developed by the British to counter both the challenge of Communist insurgency and radical Malay nationalism (Barraclough, 1985, p. 800). With the existence of such force, the riot was quickly curtailed by combined operatives of Federal Reserve Unit, Light Strike force, Royal Malaysian Police, Special Field Force and the military. But more importantly, it is the political response that the crisis generated that is worth noticing. The political elites were able to form consensus democratic negotiation in which the plight of *Bumiputeras* was given formal recognition. NEP which provided guidance to national development for 20 years beginning from 1970<sup>38</sup> is the formal representation of this response (Drabble, 2000, p. 197). As expected, this policy facilitated economic growth and also helped to restructure economic opportunities in favour of the marginalized *Bumiputeras*.

Cho (1990, p. 69) provides the synopsis of the plans that evolved out of NEP. First, the *Second Malaysia Plan (1971-75)* was concerned with restructuring the society and the elimination of poverty among Malays. This policy bias towards Malay is understandable given that they had the larger share of poverty distribution prior to NEP-era. But this created resentment on the side of the non-Malays, especially their poor. Again, the proactive government responded by widening the focus of poverty eradication to include the non-Malay poor. Thus, the *Third Malaysia Plan 1976-80* fine-tuned the earlier plan. Focussing on industrialisation, the *Fourth Malaysia Plan 1981-85* recognized the need to increase employment opportunities. By the *Fifth Plan 1986-90*, the focus shifted to market reforms with a drive towards privatization and regional development. The latter plan also advocated export-oriented industrialization that is both resource- and non-resource-based. More importantly, through the concept of “Malaysia Incorporated” which describes the integration of the roles and functions of government, the private sector, employers and employees, and producers and consumers, the private sector was given significant role in the development process (Cho, 1990, p. 79).

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<sup>38</sup> In a much broader sense, the philosophy of national unity achievable only through increasing economic opportunities and equitable distribution of income and wealth that grounds NEP continues to guide Malaysian development policies even till date (Jomo, 2004).

Under NEP in particular, development policy in Malaysia was pro-poor just as it was pro-growth. In doing this, agriculture took an enviable position among all the sectors (Sundaram, 2004, p. 8). A careful look at public sector development expenditure during this time indicates government commitment in this direction. As table 5.0 Indicates, agriculture received more resource than the other sectors during the second (22%), third (21%) and fifth (18%) plans. However, during the fourth plan agriculture was displaced by commerce and trade which constituted 27% of total expenditure. Even here, it must be understood in the context of expanding entrepreneurship amongst the poor (Naguib & Smucker, 2009). The work in the agricultural sector aimed at transforming subsistence agriculture into capitalist agriculture by extending the area under production. This in turn improved the economic and social life of the rural poor who were mainly farmers (Cho, 1990, p. 86).

**Table 5.0: Public sector development expenditure under NEP**

Category	% of total expenditure			
	2nd Plan, 1971-	3rd Plan, 1976-	4th Plan, 1981-	5th Plan, 1986-
	75	80	85	90+
Agriculture	22	21	12	18
Transport	18	14	17	16
Communications	6	4	7	14
Utilities	9	7	11	14
Commerce and trade	17	14	27	14
Social services	13	17	13	13
Defence and security	7	20	10	7
General administration	3	3	1	4

*Source:* Cho (1990, p. 71)

Another striking feature comes from the utility sector. Although the sector received small allocation, the percentage dedicated to education and training during NEP averaged 7% of total public expenditure (Cho, 1990, p. 71). This is higher by developing country standard, and when compared to expenditure on administration which averaged 2.75%<sup>39</sup>. The purpose of investing in education and training was to boost human capital needed to drive development. It is noteworthy that the policy especially increased “participation of women in the growing industrial labour force” (Naguib and Smucker, 2009, p. 104). As manufacturing industry expands, a strong demand for improved transport facilities to support transactions arose. In response, government expenditure on infrastructure development over the first five Malaysian

<sup>39</sup> My calculation from table 5.1

Plans (1966-90) averaged some 35% of the total public expenditure, with transport receiving the larger share followed by communications and energy (Drabble, 2000, p. 266).

But more importantly, the effort aimed at increasing the *Bumiputeras'* economic opportunities through employment and ownership of commerce were not attempted through disruptive redistribution of existing wealth. Rather, it was achieved through new employment opportunities so that existing workers were not displacement (Cho, 1990, p. 70). This is why the land reforms targeted unused lands rather than deposing established farmers. Also, the reason why the policy focus of the fourth and fifth plans shifted to industrialization as a means to expand employment opportunities supports this claim.

In the Nigerian case, the state has been described as having three characteristics: “rent-seeking, prebendalism, and patrimony” (Alubo, 2007, p. 207). Rent-seeking in the Nigerian context relates to the role of the state with regard to oil wealth. During the larger part of Nigerian history (especially the period of oil boom) oil rents created a rich and domineering statehood. The huge revenues were then used as prebends that the state dispenses at will, a situation Rev. Matthew Kukah described as *donatus state*<sup>40</sup> (Alubo, 2007, p. 207). In this sense, the welfare function of the state is not perceived as an obligatory but something that can be done at will. Consequently, the relationship between the federal and the federating units and citizens took on a patrimonious form. More would be said about this as the nature of the structure of the state that resulted from the identified civil unrests is discussed shortly. It suffices to bear in mind that this characteristics of the Nigeria’s state which Alubo enumerated are consequences of the nature of the state negotiated from the Nigerian civil war. And as Mick Moore argues, where the state is not dependent on earned income in form of tax but rent, the state-society relations are less likely “to be characterised by accountability, responsiveness and democracy” (Sandbakken, 2006, p. 136). This particular feature reinforces state’s disposition to prebendal practices and the sister-evil, corruption both of which have adverse effect on development (Allen, 2009).

Let us look at the political (in)stability of both countries. At the time of independence in both countries, federal system of governance with some form of democracy or civil rule was practiced. In the case of Malaysia, modified parliamentary system of government is practised. In Nigeria, it was firstly, parliamentary and was later changed to presidential system of government. Putting aside the differences in the type of government practiced, the stability or

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<sup>40</sup> A “donatus state” is acclaimed as a benefactor figure wherein favour is given at will

its absence within the systems is of import to the discourse here. In Malaysia, after the race riots and the constitutional overhaul that followed, the country had maintained a stable system with democracy experiencing increasing consolidation in the country (Zalanga, 2011). Note that, the Malaysian governance system has taken on different modes since independence. As Drabble (2000, p. 195) describes it, “government moved from a largely *laissez-faire* stance in the 1960s to more authoritarian modes in the 1970s and 1980s” whilst the growth rate accelerated. But as the economic growth provided justification for the increase in state power, it equally empowered forces that seek to restrain state power thereby increasing democratic process. It is this mix or ambiguity of governance mode which makes scholars to categorize Malaysian regime as “quasi” or “semi-democratic” (Case, 1993). The interesting feature of Malaysian politics however, is its stability over the years; hence, ensuring a safety net for development planning and implementation.

Since independence, the Alliance system of ethnically-based political parties, with Malay dominance mediated through UMNO at its centre was progressively generalized to form National Front (NF) or *Barisan Nasional* in 1974. The outstanding characteristic of the government of National Front however, is its stability (Drabble, 2000, p. 195). With an overriding priority of maintaining harmony in the society, the party has been able to negotiate power in manners that ensure stability. It is this goal of harmony which prompted the policy of NEP with its two prong ends: economic growth with eradication of poverty as a focus and redistribution (Cho, 1990). In this case, it can be reckoned that the thinking of Malaysian elites underpinning the NEP plan was the belief that rapid economic growth and a more equitable distribution of income and wealth are important for social cohesion (Naguib and Smucker, 2010).

In contrast to the foregoing, Nigeria’s political landscape has been very volatile until recently. The nation’s leadership has alternated from civil to military, from military to military, from military to civil rule and since 1999, from civil rule to civil rule. Particularly, the nature of transitions from the First Republic to the failed Third Republic left little space for any prolonged and sustained national development plan. These transitions were mostly orchestrated through coup d’état (specifically, pre-1999). In effect, smooth transition that allows for continuity of policies or commitment to implementation of policies rarely happened. In some cases, the intervals between changes of regimes were very short. For example, the period between Gen. A. Ironsi (16 Jan. – 29 July 1966) and Gen. Y. Gowon (1966 – 29 July of 1975)

was one year. Gen. M.R. Mohammed who replaced Gowon was also toppled by assassination in February of the following year. Even the longer reign of Gen. Babangida and Abacha did not promise sustained policy commitment as both were reported to be inconsistent in their policy directions (e.g. the transition agendas).

As discussed above, Malaysia responded to the 1969 unrest by creating political arrangements whose purpose was to balance power among different racial and ethnic segments. Nigeria's case is analogous. The institution borne out of the war experience was a "consociational arrangements" to regulate both geo-ethnic tensions and access to political representation and resources (Bach, 2006, p. 66). This is to ensure co-operation amongst the different groups (ethno-linguistic, religious, regional) within the country through power sharing with no bias to minority groups. The political negotiation was crafted into the 1979 Nigerian constitution in the form of "federal character" principle<sup>41</sup>. The principle is a form of affirmative action put in place to ensure that the composition of government and its agencies (federal and state) is not dominated by "persons from a few states, or from a few ethnic or other sectional groups" (Aiyede, 2009, pp. 254-255). A twin principle to this is the "rotational principle". Although not a constitutional concept, the latter has come to occupy prominence in Nigerian politics. Basically, it argues that "given the limited number of positions in government, such positions are to be rotated among the various zones and regions of the country" (Aiyede, 2009: 259). Together, these principles have been Nigeria's chief instrument of ensuring balanced representation and therefore political accommodation and stability.

In practice, the principles have produced mixed results with an overwhelming negative effect. For instance, Bach has argued that the national character principle was used to curtail the secessionist moves of the Biafra (Aiyede, 2009, p. 255). Since then, as Bach (2006, p. 67) granted, the principle has also guaranteed the fragmentation of existing politico-administration units (i.e. the creation of more states or LGAs) thereby increasingly shifting factional focus to ownership of politico-unit through which resource transfers from the centre can be more controlled. But precisely this has created challenge for national development.

The policy has been hijacked as instruments of political control and patronage. This is reflected in the insatiable need for the creation of more states and localities that continues to plague Nigerian politics. In the recent National Conference (Confab) meeting, creation of more states

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<sup>41</sup> The doctrine was introduced by Gen. M. Mohammed in his inaugural address to the Constitution Drafting Committee in Oct. 1975

topped the agenda. In fact, the Confab endorsed creation of additional 18 more states to the existing 36 states and the FCT (Fabiya & Oladimeji, 2014). Whatever the merit, further fragmentation of existing political unit as a solution to Nigeria's developmental problem is suspicious. Behind the quest for creation of more states is "a cake-sharing syndrome", a continuation of which produces "proliferation of unproductive, corrupt, wasteful and unviable political and administrative units" (Suberu, 1998). Most of the existing states are still not self-sufficient as they overbearingly depend on the federal allocation for subsistence. But also, as Femi Falana, a senior advocate of Nigeria (SAN) noted, creation of more states contradicts the ongoing reforms or call to reduce the cost of governance (Fabiya & Oladimeji, 2014). Needless to say that more political unit in Nigeria could turn to more forums for corruption and rent-seeking as it has been characteristic of most existing government institutions.

Related to this is the challenge that revenue allocation poses to genuine development in Nigeria. Since the 1970 revision of revenue allocation formula, the principle of derivation (redistribution according to one's share of resources) was jettisoned (Bach, 2001). Alternatively, the criteria of equality among states and demographic weighting were adopted. It is this consideration which makes it less necessary to emphasize the requirements for economic viability when considering state creation. Consequently, most political units, with the exception of commercial hub like Lagos, have depended on federal government without making effort toward "resource mobilisation and wealth creation (Bach, 2001: 71). This is indeed, what Alubo (2007) earlier described as Nigerian patrimonialism. Also, the formula has been a source of civil uprising in some resource-endowed states (particularly the Niger-Delta region) that continually demands higher share of revenue generated from their states. The Niger Delta uprising was a response to a historic injustices meted against them by successive military regimes who had neglected the region. With the emergence of the fourth republic, the region turned militaristic making wars on the state and oil multinationals, thereby stalling business in the region.

To conclude this section then, what is derivable from the foregoing is that the structure of the state has a relationship with development. In the case of Nigeria, over-centralised federalism has been less pro-developmental and more rentier. Atiku Abubakar, a former Vice President during Obasonjo's eight-year term recognized this in an interview he granted in a daily. He noted that Nigeria's biggest challenge to development is rooted in the over-centralized power. In his words:

As more power was concentrated in the centre, the federal government appropriated more resources and expanded its responsibilities. All of these were done in the name of promoting national unity and the process was relatively easy as the unified command structure of the military ensured little opposition. Therefore, fixing Nigeria, to me, will require reversing decades of over-centralisation of power and over-concentration of resources at the centre" (NAN, 2014a).

Calling on the Confab forum to be used to negotiate a better structure, Abubakar believes that such a renegotiated national union that gives "greater autonomy, power and resources to states and local authorities" will ultimately unleash creative energies and spur more development across the country.

In Malaysia, the case is slightly different. The negotiated consensual democracy and federalism leaves room for state autonomy even as it empowered the centre. Also, historical continuity of system and coordination of effort between the federal and the state level ensured a pro-developmental outlook.

## **5.2. Issues of Governance**

Next to the structural factors considered as important to economic development in this study is the issue of governance as an attribute of state institutional capacity. Governance, though a nebulous term, generally refers to "the provision of leadership throughout a given society for the actualisation of common good" (Osumah & Ikelegbe, 2009, p. 187). Some of the identified properties of good governance in literature include: participation, equity and fairness, transparency, rule of law, accountability, efficiency and effectiveness (Bisi, 2004). Where these properties become a culture, they constitute norms and values on which governance thrives and as such are institutional artefacts.

While institutions constrains structures, the role of agency as animating forces are crucial to their transformative power (Mkandawire, 2010, p. 64). One anchor on which the transformative roles of institutions such as the state are based is the leadership. DS places particular emphasis on this precisely because it is premised on the capacity of the state to formulate and implement developmental policies (Moses, 2010). This is more important for a resource-abundant state where genuine governance structure is required to transform resource-rents into economic prospects. Moses (2010, p. 126) articulates two reasons why this is so. One, the interests that control the resources are often able to exert inordinate influence on and sometimes capture the state. This justifies the cliché that "the revenue of the state is the state" (Burke, 1969). Two,



observation suggests that states have a tendency to become addicted to the revenues that are generated from resources; thus leading to over-fixation on them. Thus, a leadership that shares transformative vision of development is needed to harness state capacity towards achieving developmental goals.

The foregoing discussion is relevant for both Malaysia and Nigeria as they are considered as resource-abundant states (Trezzini, 2001; Snodgrass, 1995; Sandbakken, 2006). They have large deposit of oil and other mineral resources within their territory. But before looking at the role of the leadership within both countries' historical development, it is necessary to set out some theoretical exposition.

Studies that have investigated the relationship between resource-endowment and economic prospect of state make interesting observation that it is not linear. That is, the availability of abundant natural resources, while it is traditionally regarded as an important input into economic growth and higher levels of prosperity in many economies (e.g. Saudi Arabia, Botswana, Canada, Norway), empirical evidence also suggest that some resource-abundant-states have been plagued in stagnation or regression (Zambia, Angola, and others) (Mehlum *et al.*, 2006). This is the so-called resource-curse theory (Auty & Gelb, 2001). The relationship between mineral abundance and levels of prosperity depends on the judicious use that nations make of the revenues accruing from mineral exports (WEF, 2014). Spending resource revenue on current, rather than productive investment for instance, has devastating effect on a nation's economy. It discourages economic diversification, hence exposing the economy to the "Dutch disease", a state in which a country's economy is affected by the fluctuations of mineral prices in international markets (WEF, 2014, p. 40).

Importantly, World Economic Forum (2014, p. 40) recognizes that creating the effective link between presence of abundant resources and development is not the function of market but that of strong, transparent, and efficient institutions. Such institutions would have "absence of corruption", "high levels of transparency and accountability", "a strong commitment to a long-term economic agenda that is based on steady productivity gains" and is "independent from the political cycle". These factors which the Forum considers necessary, if not always sufficient, conditions to ensure that natural resources support long-term growth are similar to the institutional capacities that have been identified as features of a developmental state (Moses, 2010; Edigheji, 2010). They are both qualities of political and bureaucratic elites (Dassah, 2011, p. 591). Attention is now turned to the political elites.

Scholarships have emphasized the importance of leadership as key to development (Dassah, 2011; Kebonang & Kebonang, 2013). For Ebegebulem (2009, p. 222) leadership is the most important determinants of national development. But what the concept means is doubtlessly contested (Spiker, 2012). One conception describes leadership as a “process of influencing others to understand and agree about what needs to be done effectively and the process of facilitating individual and collective efforts to accomplish the shared objectives” (Yukl, 2010, p. 22). In a related sense, Daft (2002, p. 5) argues that leadership is “an influence relationship among leaders and followers who intend real changes and outcomes that reflect their shared purpose”. Both definitions describe a relationship between one who leads and the groups that follow, and also points out that this relationship is geared towards achieving a desired goal. In all, leadership arguably references a *pattern of behaviour*, a *personal quality* and a *political value and process*. But leadership does not happen in a vacuum; it is mediated within the repeated culture of a society.

Political leadership at the national level in a developmental state carries the responsibility of aligning national interests with constituencies and citizens’ interests. For Bass (1997; 1999) such a task is best carried out by a “transformational leader” who is contrasted with “transactional leader”. The latter are interested in the immediate self-interests of their followers and tend to focus their attention on exchanges and bargains with their followers to that effect (Boehnke *et al.*, 2003, p. 3). In contrast, transformational leader inspires and intellectually stimulates followers to transcend their own self interests in pursuit of a common good (Bass, 1999).

In an earlier work, Bass (1997, p. 132) argues that best leaders are both transactional and transformational by having the capacity to work within the constraints of structure but also the ability to transform organisation. Transactional leadership is inadequate because it encourages compliance without necessarily allowing the follower’s sense of initiatives. Hence, transformational leaders who can motivate followers to work for transcendental goals that go beyond immediate self-interests is a complement to transactional leadership style (Bass, 1997, p. 133). Transformational leaders are able to motivate followers and other constituencies to do more than they are originally expected to do as they strive for higher order outcomes (Burns, 1978). Such leaders share charismatic qualities as they often stand as role models in their societies, embodying confidence in shared purpose. They have visions about a better future and are able to articulate it, and through that, challenge followers to be committed to it. Another quality they share is intellectual stimulation. They question old assumptions, traditions, and

beliefs; stimulate in others new perspectives and ways of doing things; and encourage the expression of ideas (Bass, 1997, p. 133). These qualities are essential to the success of developmental state.

### **5.2.1. Development-Oriented Leadership in Malaysia**

DS literature place important emphasis on a “development-oriented political leadership” (Dassah, 2011; Musamba, 2010). Such leaders often emerge out of political survival and legitimacy (Wade, 1990) and are imbued with a strongly economic and political ideology of development which make them endearing to the developmental state (Dassah, 2011, p. 592). In this sense, Japan, South Korea and Taiwan provide illustration; all three countries were constrained by lack of natural resources to provide sustained revenue and these constituted a powerful incentive for their rapid industrialization. Taking Malaysia into consideration, what is glaring as a stimulant for the emergence of political elites that are developmentally oriented is not an absence of natural resource. Rather, it is the presence of a consciousness on the historical injustice or imbalance associated with the structure of Malaysian nation-state.

In particular, the 1969 riots opened up the deep wound of the social imbalance which led the elites to form a unified front against social ills with a promise to unleash broader development (Yusof & Bhattasali, 2008, pp. 2-3). With emphasis on economic growth with intended benefit of equitable distribution, the political elites committed themselves to long term development policies (NEP 1970-90; NDP 1990-2000; the National Vision Policy (NVP) 2001-10; and the Vision 2020 (2010-2020), and their attendant short and medium term planning. To use Routley’s (2012, p. 23) expression, consensus built on commitment to long-term development constitutes “political settlement” – the production of development coalitions. The emergence of such consensus is considered as key to the success of development state (Leftwich, 2010, pp. 101-102). In the case of Malaysia, the consensus lays emphasis on growth with equity (Yusof & Bhattasali, 2008). This is anchored on the need to maintain national unity which qualifies as Malaysia’s mantra of nationalism. In chronological order, the men who have guided Malaysian development since NEP include Prime Minister: Abdul Razak, (1970-1976), Hussein Onn (1976-1981), Mahathir Mohamad (1981-2003), Abdullah Ahmad Badawi (2003-2009) and Najib Razak (2009 till date). As it has been argued elsewhere, “elite commitment to developmental state is, therefore, frequently seen to emerge at crisis points” (Leftwich, 2010; Routley, 2012, p. 18). In this case, the riot and the threat of national disharmony encouraged the formation of elite coalition for the purpose of development.

One crucial role played by the leadership is exemplified in the commitment to planning and implementing development policies. Of planning, Kennedy (2002, p. 18) has argued that the success on this end is due to the prevalence of cultural practice of *future orientation*. Within Malaysian society, there is high perception among the people to avoid “uncertainty”. As such, almost all facets of the society are guided by planning, from short- to long-term. The process of planning is guided by the political elites in collaboration with other stakeholders (Andriessse, 2007).

The foregoing suggest that Malaysian political elite were development-oriented. A cursory look at any of the development document produced under the watchful guide of the listed prime ministers is convincing enough. Each of the policy documents contains substantial commitment to development. For instance, NEP reflects a commitment to redress racial and economic imbalance which gave attention to the disadvantaged Bumiputeras. In practice, the government improved services such as housing, health and public utilities to benefit the poor. Capital-efficient modern agricultural techniques, alongside credit, marketing, financial and technical assistance intended to improve agricultural productivity and thus increase the income of the poor was promoted (Henderson *et al.*, 2002, p. 7). The pro-poor policy tool targeted to reduce official poverty level from 49.3% in Peninsular Malaysia in 1970 to 16.7% in 1990. Affirming the success of the policy implementation, Henderson, et al. (2002, p. 8) report that by 1987, the figure was reduced to 17.3%. To show the level of government commitment, poverty reduction was accorded higher budgetary allocations, and redistribution received more effort in terms of institutional building with institutions such as PERNAS (National Corporation), UDA (Urban Development Authority), SEDCs (State Economic Development Corporations), etc. charged to facilitate development programmes.

Re-echoing this institutional commitment, 2005 MDGs progress report on Malaysia which highlighted impressive results for the country made the following remarks as explaining Malaysia’s success in tackling poverty prevalence (UNCT and EPU, 2005). The country utilised three strategic poverty-reducing approaches. The first focused on agricultural and rural development aimed at raising the incomes of poor farmers and agricultural workers through improvement of their productivity. On the second approach, labour-intensive export industrialisation to absorb poor workers from both rural and urban areas was deliberately targeted. Thirdly, public fund was strategically directed to investment in social services like education, health, and basic infrastructures; and the poor regions were specially targeted for this. This suggests a state that is well oriented to development.

Similarly, Yusof and Bhattasali (2008) highlights the ingenuity on the part of the political elites to diversify the nation's economy. It was firstly the diversification of agriculture from rubber to other crops like palm oil on a large scale. Before independence, rubber accounted for almost 70% of the total output value of the major agricultural commodities. By 1970s, the acreage shares of both oil palm and rubber almost reversed (Yusof & Bhattasali, 2008, p. 5). Especially, by diving into a rather unfamiliar plantation, the economic policy making in the early period already expressed boldness and vision on the government side to mobilize support for experiments. Yusof and Bhattasali (2008) praised this feat as a function of leadership in conjunction with the bureaucracy.

Among Malaysian leaders, there are quite good role models. Tun Hussein (known as the Father of unity") is praised for his promotion of national unity (Naguib and Smucker, 2010). But it is the administration of Prime Minister Dr Mahathir Mohamad, a medically trained and meritocratic in outlook premier leader of Malaysia (1981 to 2003) that exemplifies a development-oriented leadership for Malaysia. He is known for his clean and efficient government through his "Look East" policy (Mauzy & Milne, 1983). The reform approach which was sought from Japan (hence, look east) encouraged practices such as discipline, group loyalty, high productivity, quality control and others (Drabble, 2000, p. 200). To affirm his preference for meritocracy, his appointment of ministers and deputy ministers were full of younger and better-educated people and was affirmed for co-opting opponents into his cabinet (Mauzy & Milne, 1983, p. 618). He carried it further by putting in place machineries to ensure that the state cabinets were occupied by well-qualified young people who can drive the national agenda. Also, he carried further Hussein Onn's fight against corruption as number of cases investigated by the Anti-Corruption Agency increased during his time (Mauzy and Milne, 1983, p." 623).

Mahathir's drive for clean and efficient government contributed to Malaysia's low corruption level (relative to regional and developing nation standard) over the years. Malaysian Anti-Corruption Commission (MACC)<sup>42</sup> which was instituted in 2009 (formerly the Anti-Corruption Agency of 1967) has been instrumental in this fight. Also, the development in February 2011 in which Special Courts for Corruption were established has helped to hasten prosecution of corruption charges. Statistics for MACC's operation that year was very

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<sup>42</sup> MACC is regarded as independent in performing and discharging its duties. Its main objective is "to incessantly eradicate all forms of corruption, abuse of powers and malpractices" (MACC, 2011).

impressive. A total of 263 persons were prosecuted in the courts, 30% of which were public officials, 54% members of the public, 15% from the private sector and one politician (MACC, 2012, p. 69). One celebrated case involves Mustafa bin Salim, a State Assembly-man of Lenggen. He was sentenced to three years imprisonment for accepting a cash bribe of RM2,000 (MACC, 2011).

Presence of lesser cases of corruption among the leadership is a plus for Malaysia. Athukorala and Menon (1996) argued that by developing country standard, Malaysia’s “resource costs arising from rent-seeking activities have always been minimal” and that “direct redistribution polices [were] not a major drag on growth” (cited in Drabble, 2000, p. 205).

**Table 5.1: Malaysia’s Rule of Law Index, 2014**

Overall score	Regional rank	Income rank	Global rank		
0.58	7/15	5/29	35/99		
	Factor trend	Factor score	Regional rank	Income rank	Global rank
<b>Constraints on Government powers</b>	–	0.55	9/15	12/29	49/99
<b>Absence of corruption</b>	↓	0.64	7/15	3/29	28/99
<b>Open government</b>	–	0.48	8/15	9/29	42/99
<b>Fundamental rights</b>	–	0.45	13/15	26/29	85/99
<b>Order and security</b>	–	0.87	6/15	1/29	12/99
<b>Regulatory enforcement</b>	–	0.51	8/15	13/29	48/99
<b>Civil Justice</b>	–	0.57	7/15	6/29	37/99
<b>Criminal Justice</b>	–	0.53	7/15	6/29	33/99
			Low	Medium	High

Source: the World Justice Project, (2014)

This claim is supported by empirical studies. For instance, the World Justice Project Rule of Law (WJPRL) Index for 2014 gives a positive reflection on Malaysia’s institutions in general both in relation to regional and global standard (see table. 5.1). While the current trend shows that Malaysia is regressing on the absence of corruption, the country’s score of 0.55 is slightly above average (in a score of 0-1) this places her 7<sup>th</sup> in the region and 28<sup>th</sup> in the world.

Given this impression, it is not surprising that citizen’s feeling about their government is generally positive. In particular, citizens’ perceptions about government are impressive for a developing nation standard. According to HDR 2014, 70% of citizens feel satisfied with their

government's effort to deal with the poor, and 76% have trust in national government generally. Drabble (2000, p. 204) sums up the government's role so far: "The Malaysian state played a decisive role in setting the overall direction of the economy through initiating structural changes, such as ISI [import substitution industries] and EOI, and in the redistribution of the gains in wealth, employment and so on from economic growth". And this was possible largely because the ruling elites were committed to collective goals other than personal gains. This is reflected in average score recorded by Malaysia in the perceived levels of public sector corruption index of 2013 were Malaysia was ranked 53 out of 177 for scoring 50 (Transparency International, 2013).

No doubt, development-oriented leaders like Mahathir administration is a product of the society. For instance, the Minister's emergence is precipitated by two events. One was the sudden illness of his predecessor, Hussein; and the other, the economic recessions that was setting in at the start of the 1980s. This feeds Dassah's submission that conditions (external or internal) leading to the emergence of development-orientated leadership are usually political as they are economical, and are dependent on the elites' culture (Dassah, 2011, p. 598; Routley, 2014). Dassah (2011) for instance identified issues of "systemic vulnerability", severe security threats, scarce resources, political survival and legitimacy as conditions that propel the emergence of development-oriented leadership. Already, elite coalition around development pathways had set-in in the decade before Mahathir's emergence as a response to observable systemic vulnerability manifested through the race-riots. This paved way for his emergence even in the face of his history of having been a "rebel"<sup>43</sup>. Such flexibility within the ruling party presupposes a recognition of his qualities as a charismatic leader capable of driving the aspiration of the people. And while he was indeed constrained by existing structures and social forces, his imprint was noticeable in the structural breakthroughs that accompanied his administrations (Mauzy & Milne, 1983). This ability to ensure continuity of elite culture as well as break new ground reflects institutional quality of transformative leadership crucial to development process.

### **5.2.2. Neo-Patrimonial Leadership in Nigeria**

On the Nigerian side, a lot can be said on the relationship between leadership and the country's economic performance. Like Malaysia, there were series of events that can be counted as

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<sup>43</sup> He was once expelled from UMNO in 1969 due to his opposition to the then Prime Minister Rahman's policies. He was readmitted to the party in 1972 where he made his political carry to the position of deputy president of the party.

stimulants to the emergence of political elites with development-orientation. The issues that called for independence were surely enough to stir Nigerian elites on the direction of development. Unfortunately, the fragmentations which marred the effort to provide a unified front for inclusive national development in the First Republic diverted this crop of elites to regional and tribal politics that culminated in the civil war (1960-1790). In Ekhatior 's (2014, p. 20) word, "the politicians exploited ethnic differences until the first republic collapsed and the military came to power and continued the malaise of ethnic nationalism".

The war itself was another decisive moment as it provided chance for reconstruction of the nation to reflect genuine unity and equity. But the manner in which this was handled leaves little to desire, and thus indicates that elites' commitment to development for the general people was yet to surface (Ekhatior, 2014). With a popular slogans such as "No Victor No Vanguish", there were efforts by the federal government to reconstruct, reconcile and rehabilitate the nation after the war. Notable among these efforts were the reconstructions of Niger Bridge, the University of Nsuka, and the allocation of some government parastatals in and outside the Eastern region (Ekhatior, 2014, p. 23). But little was done to alleviate the hunger, starvation, malnutrition and psychological trauma of the war, particularly for the most affected, the Igbos. Instead, "all the process of reconstruction were fraught with corruption" (Forbsyth, 1977, p. 284) and power grab for personal gains. Consequently, the reunion was largely a charm as many were left disenfranchised, with lost unrecovered. In the book, "*There was a Country*, Nigeria's famous storyteller, the late Chinua Achebe laments what transpired before, during and after the war. He mourned "for a promising nation crippled by the failure of its leadership to integrate the people before and after the civil war" (Ekhatior, 2014, p. 13). Till date, his call for Nigerian nationalism<sup>44</sup> has been traded away by ethnic supremacists, Northern oligarchists, Biafra nostalgists, Yoruba justificaionists, tribal chauvinists etc., in Nigeria (Chidi, 2012).

The other golden opportunity presented itself on the eve of the Fourth Republic during which Nigeria was "enmeshed in economic and political crises of varying forms, intensity, and pervasiveness" (Alubo, 2007, p. 205). It was evident that mass consciousness demanding transformation of the society and lives within it was manifestly widespread. However, the people's aspirations lacked a credible support of national ideology that is rooted in the interest of all. Instead, "virtually all Nigeria's post-colonial governments to date [2009] have been

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<sup>44</sup> The term refers to nation centred ideology that is instrumental to nation building and by which national aspirations, values and ideas are expressed and imbibed (Adekunle, 2002).



thrust to power without a concise national ideology, let alone a popular and liberating one” (Amuwo, 2009, p.44). Consequently, the chosen path by the Nigerian political elites at the dawn of the fourth republic was the full acceptance of neoliberal ideology devoid of genuine Nigerian contexts and hence socially debilitating so far. The market-friendly policies pursued have not been “viable, cohesive and people-friendly”, “authentic pro-poor, pro-growth and pro-development” (p. 45). This is clearly a governance problem.

The governance crises within Nigerian elite should be understood in the following background. Oyovbaire (2007) provides four contemporary social forces explaining this. The first is rooted in the prolonged dictatorship rule that the country had experienced. Oyovbaire argues that given such experience, leadership structures within the country seemed trapped in the culture of the authoritarian rule. Consequently, the executive branch conducts itself as the dominant, often to the exclusion of the legislature, the judiciary and obviously, the citizens. The second factor he mentioned is a consequent from the above. Given the domineering power of the executive, institutions like the legislature, the judiciary and the bureaucrats are weakened in power relative to the executive. Thus, the checks and balances needed to stir the state enroute appropriate way of development have been absent. Take the legislative arm for instance, having being largely absent during the military rule, most of its members during the first term of the fourth republic were mostly testing the house for the first time. In practice then, they tend to be portrayed, according to Senator Arthur Nzeribe, as “a department of the executive or an executive handbag” (cited in Oyovbarie, 2007).

The third social force owes its allegiance to the political economy inherited by the fourth republic which skewed political power relations (Oyovbaire, 2007). The economy had allocated bulk of money to few elites through corrupt accumulation of state funds and resources thereby barring other genuine individuals disadvantaged by same structure from participating in power relation (Amuwo, 2009, p. 38). This is evident in Nigeria’s money electioneering. It is not surprising that till now, Nigerian political elites are dominated by army generals and their cronies who have benefited from the oil rents of the military regimes. For instance, Amuwo (2009) reports that 25 out of about 50 contested 2007 posts were vied for by “either retired military officers who looted the state coffers whilst in power or civilians who did extensive business with the military in government”. Obasonjo, Atiku, Buhari, Sen. David Mark and others fit into this class of uniform men-turned-politicians.

The last force is “personal rule” which pre-empts and takes pre-eminence over rule of law. It is almost to say that in Nigeria, “the state is government of men and not of laws” (Oyovbaire, 2007). Accordingly, Nigerian state has featured in most literature discussing neopatrimonialism (Bach, 2012; van de Walle, 2012). Neopatrimonialism as first used by Oszlak (1986) describes ‘contemporary cases in which personalist government turns states into the private government of those possessing the necessary power for the exercise of political domination (Bach, 2012, p. 36). The concept further describes the confusion between the public and the private domains in which public resources are privatised in the sense that they are appropriated as private spheres (Sindzingre 2006, p. 21).

Certainly, Nigeria’s situation mirrors the larger problems of governance in Africa. As Bach (2012, p. 32) argues, the concept of neopatrimonial<sup>45</sup> rule has become a substitute for discussing “the political decay, economic collapse and administrative grotesqueries of African states” (also see Sindzingre, 2006; 2012). Other terms associated with African states under the umbrella of neopatrimonial are “big man politics”, “politics of the belly”, clientelism, prebendalism, rent-seeking etc. (Sindzingre, 2012; van de Walle, 2012). For van de Walle (2012), clientelism provides the framework within which neopatrimonialism finds expression. Political clientelism refers to “an exchange relationship between unequals, which provides a political advantage to the more powerful agent and a material advantage to the less powerful agent” (van de Walle, 2012, p. 113). Whatever concept employed, the nature of a neopatrimonial state is ultimately multidimensional and includes among other things, a blurred separation of the public-private, political-economic, and individual-social spheres.

The claim that African states epitomize neopatrimonialism is misleading. Van de Walle (2012, p. 113) has argued that clientelistic practices exist in virtually all political systems, save that the variation is of kind and degree. So long as political actors are able to use the preferential allocation of resources over which they have discretion for political advantage, a practice which cut across most modern state, it is safe to grant the above claim. What sets Nigeria and other African states apart is the degree, the form and the impact this practice have. On this, Bratton and van de Walle (1994) argues that neopatrimonial practice constitute the foundation and superstructure of political institutions in Africa; “from the highest reaches of the presidential

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<sup>45</sup> While understandably, clientelism, nepotism and personalisation of power differs conceptually from neopatrimonialism, the latter subsumes them and it is their antecedent. Also, the institutional arrangement under neopatrimonialism are new (neo-) because they do not arise from traditional norms but are a manipulation of the old (Sindzingre, 2006).

palace to the humblest village assembly” (cited in Bach, 2012, p. 31). The impact on the state is the “deterritorialization” deinstitutionalisation”, “informalization” and “criminalization” of political systems such that the state capacity to function as a fulcrum for nation-building is greatly weakened.

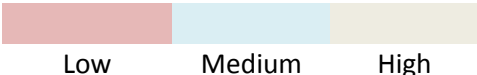
To understand how clientelistic practices exist in all political systems, van de Walle’s (2012, pp. 113-114) typology of clientelism is handy. One of them is “tribute clientelistic practice” which consists of a state in which peasant societies and traditional kingdoms exchange gift between patron and client in bonds of reciprocity and trust. Another is “elite clientelism” which concerns the unit of political elites where the characteristic form of clientelism is prebendalism. In this form of clientelism, strategic political public offices are allocated to key elites and personal access to state resources is granted based on patronage. The third is “mass clientelism” which refers to the practice of using state resources to provide jobs and services for mass political clients, and often involves party organisations and electoral politics. While the first is of traditional societies, and the last being presents in most functioning modern states, van de Walle argues that the second most describes African states (Nigeria included). The reason is that most African states lack the resource capacity to pursue mass patronage but instead circulate political favour within a handful of elites.

Malaysia is one such country which has tended to use patronage as distinct from prebendalism for the purpose of redistribution of wealth. Hence, it falls under the third category of Walle’s typology of neopatrimonialism. In contrast, Nigerian clientelism is not redistributive, but is rather directed to an exceedingly narrow elite, which accumulates a disproportionate wealth (van de Walle, 2012, p. 119). In this sense, it falls under the second category. This has been possible because Nigeria’s personalistic leaders are unconstrained by norms or institutions as they treat public resources as their personal patrimony. According to Kohl (2004), this is possible even under nominal democracy or dictatorship because the rational-legal framework characteristic of modern state is largely absent in a prebendal system like Nigeria’s.

Even after 15 years of return to democracy, as indicated in the table below, statistics on Nigeria’s rule of law index is still generally low with overall score being 0.39 (in a grading of 0-1). In comparison to other African countries, Nigeria is embarrassingly ranked 16 out of 18 countries surveyed (see table 5.3). Nigeria equally ranked 21 over 24 in relation to her income group while globally, she has only six countries behind. Nigeria’s lower scores are in criminal

justice, order and security, and corruption (the lowest). The category of order and security made a downward shift indicating the deteriorating security state of Nigeria at the moment.

**Table 5.2: Nigeria’s Rule of Law Index, 2014**

Overall score	Regional rank	Income rank	Global rank		
0.39	16/18	21/24	93/99		
	Factor trend	Factor score	Regional rank	Income rank	Global rank
<b>Constraints on Government powers</b>	–	0.47	11/18	13/24	69/99
<b>Absence of corruption</b>	–	0.26	17/18	23/24	97/99
<b>Open government</b>	–	0.4	9/18	15/24	76/99
<b>Fundamental rights</b>	–	0.42	15/18	21/24	88/99
<b>Order and security</b>	↓	0.36	18/18	23/24	98/99
<b>Regulatory enforcement</b>	–	0.4	12/12	17/24	83/99
<b>Civil Justice</b>	–	0.5	7/18	7/24	52/99
<b>Criminal Justice</b>	–	0.31	17/18	20/24	91/99
					

Source: the World Justice Project, (2014)

Nigeria’s accolade in the area of corruption is a well-rehearsed litany in literature. Notable leaders who have looted the nation include Sani Abacha whose theft money from the “national cake” is estimated between \$3 and \$5 billion (Amuwo, 2009, p. 47). There was also Babangida’s unaccounted \$12.2 billion Gulf War oil windfall; Obasonjo/Atiku’s unreconciled shortfall of US\$250 Nigerian National Petroleum Corporation (NNPC) revenue to the government through (CBN) (Amuwo, 2009). The fact that the last case happened just before 2007 election tells of how Nigerian leaders uses public funds for personal gain among which is the use of same looted money to buy votes from penurious electorate (Ogundiya, 2006). With a generalization that is very reflective of the reality, Ogundiya (2009) was right to asserts that “virtually all the Nigerian leaders who have come in as physicians have left office as patients”

Another level on which Nigerian political leadership might be contrasted with their Malaysian counterpart is policy planning. As a corollary to the personal rule enumerated above, unlike Malaysian elites, Nigeria leaderships have performed poorly well in the area of providing policy framework that is coherent and broad-based. For Agbaje (2011) they do not bring “analytical rationality” to bear on their policy formation because of their propensity towards

parochial and self-seeking motives. The foregoing leads to the conclusion that development-oriented leadership has rarely emerged in Nigeria's political history.

### **5.3. Bureaucracy and Development**

Good governance relates to the quality of relationship between the government and the governed (Siddiquee, 2008). The public sector/administration/management is a crucial thread on which the relationship hinges. DS literature in particular have high regards for the role of bureaucracy in development process. Evans and Rauch (1999, p. 748) specifically argue that "growth depends on governance". Evans' (1995) analysis of "embedded autonomy" and Johnson's (1982) "Japanese model" are the influential works on the nature of bureaucracy in developmental state. Both conceptualizations inform the high premium DS places on a "meritocratic rationalised bureaucracy" which is required to operate autonomously and unbridled by social pressure while at the same time embedded in the society (Routley, 2012, p. 21).

On the one hand, the bureaucrats exhibit professionalism and enjoy autonomy from political influence of the society. In Johnson's theorisation, this might be interpreted as asserting that while politicians reign, bureaucrats rule. Their professionalism is demonstrated through the criteria of appointments (based on merit), their long term career paths, their culture of implementing and following rules in somewhat Weberian bureaucratic model (Musamba, 2010; Evans, 1995, p. 48). Listing these Weberian criteria, Evans and Rauch (1999, p. 751) argue that the meritocratic recruitment is ideally based on some combination of education and examination while "predictable career ladder provides long-term tangible and intangible rewards for those recruited" (p. 48). Aside the competence which education gives, it is believed that the collegial affinity among confreres would boost cohesiveness of the bureaucracy. And in addition to these, predictable long-term career reduces the relative attractiveness of corrupt practices to individual bureaucrats.

This however, should not come across as if the success of developmental state depends on the availability of "super bureaucracy". It has been argued that while professionalism is important, "minimal norms of probity and competence" will suffice in general and radical transformation of bureaucratic practice can be reserved for agencies key to economic policy and planning" (Routley, 2012, p. 31). Chang (2010) calls the economic policy and planning unit, the "pilot agency". Johnson's Japanese equivalence is the Ministry of International Trade and Industry (MTI). In the case of Malaysia, this agency is the Economic Planning Unit (EPU). In Nigeria,

a semblance of this is the office of the Minister of Finance and Economic Coordinating Unit. It is equally important to note that the bureaucrats in developmental state need not be of people highly trained in economic profession only. Arguing that the classical developmental state did not begin with highly trained bureaucrats, Chang (2010, p. 92) argues that bureaucrats from these countries (Japan, Taiwan and Korea) were greatly mixed, engineers, lawyers and economics. This is particularly important for the Malaysian case which started with less quality human resource.

Furthermore, as Evans' embedded autonomy grants, there is a double move for the bureaucrats. While they must not be adversely affected by interest groups, they remain well connected to the society; and through this link act to ensure growth and redistribution of wealth. In expanding on embeddedness, Evans talks about the ability of bureaucrats to build cohesiveness as buffer to capture. The essence of this is collegial fraternity amongst civil service staff of same unit and across agencies, and mostly this is developed at schools and universities (Evans, 1995, p. 50). Routley (2012, p. 22) further argues that the relationship between autonomy and embeddedness is never static; it undergoes negotiation as bureaucrats, business-people, politicians and citizens negotiate the relationship between the state, business and the market. An important element of this relationship is business-state relations. It is through close relationship between business-people and bureaucrats that the state is able to control and coordinate the private sector with an aim to achieve growth and possibly redistribute strategically (Routley, 2012, p. 25). Often, this is viewed as exclusionary as sometimes the state tend to favour one sector (the industrialists) over others (e.g. labour and civil societies). Against this, Evans (1995, p. 60) caution that the relationship has to be balanced to avoid "...excessive clientelism". The following sections explore the import of the foregoing analysis in both Malaysia and Nigeria.

### **5.3.1. Public Sector Reforms in Malaysia**

Malaysian leadership elites recognised from early time the importance of carrying the bureaucratic arms of the government along in their quest to achieve rapid growth and development. However, the most decisive time during which Malaysian public service came under scrutiny and reform was at the turn of the 1980s. In a way, this followed general trend at time. It was an era in which New Public Management (NPM) paradigm was making its rounds around the world. The paradigm advances the use of market logic within the public sector for tackling the inefficiency and poor performance that had characterised old practice of public management (Siddiquee, 2006, p. 340). But also, the reforms were responses to political and

economic changes happening at the time within Malaysia. The political precursor is the emergence of Dr. Mahathir Mohamad as the Prime Minister in 1981. On the economic side, the country was responding to the recession of the 1980s which also redirected the approach to growth and development towards market principles. Mahathir's visions and charisma placed greater stress on innovative and dynamic public service capable of driving the nations' development agenda. Hence, in Vision 2020, he espoused the need to develop a "clean, efficient and effective administration" (Siddiquee, 2008, p. 200). Thus, the combination of both external and internal factors provided drive for the Malaysia's attempt at public sector reforms towards an "efficient, dynamic and market-driven administration" (Siddiquee, 2006, p. 340).

Siddiquee offers key characteristic of NPM reforms.

The NPM calls for putting the customers first, making service organisations compete, using market mechanisms to solve problems, entrepreneurship and cost recovery initiatives, employee empowerment, downsizing and decentralisation of decision making, streamlining the budget process and decentralisation of personnel management.... NPM seeks to change the traditional rule-bound, process-oriented administrative culture into flexible, innovative, dynamic and result-oriented one (2006, p. 341).

Clearly these structural and process reforms follow management techniques prevalent in the private sector. The following subsections look at how some of these reforms took shape within Malaysian society.

#### *5.3.1.1. The "Malaysia incorporated" policy*

Malaysian leadership were radically different from their other third world counterparts for not simply copying the western dictates of reforms. In particular, under generic "Look East Policy" of Dr. Mahathir, the Malaysian leadership sought to learn from the experiences of South Korea and Japan which had higher development tracks than Malaysia (Zalanga, 2011). This policy was a deliberate effort of the leadership to discourage the Malaysian people from an unreasonable appreciation of everything Western. Characteristically, the Minister argues:

Whatever you used to do before with the West I think you should also do with the East. That is the 'Look East' policy. And if you have learnt all the bad work ethic of the West before, it is about time you learn some of the good work ethic of the East.... Look East means we should resort to other sources than just the West and the West entirely. What is good in the West, we will still follow but here is a source of ethical values, systems and everything else which are useful to us. So why shouldn't we make a deliberate effort to acquire this from the East (cited in Zalanga, 2011, p. 25).

Consequently, effort were made to exchange ideas with countries such as Japan and South Korea on learning mission. But also, through mass media publicity and different policies

implementation, Malaysian private and public sectors were subjected to transformation to attain professionalism.

One outcome of the Look East move was the introduction of “Malaysia incorporated” policy in 1983 (Siddiquee, 2006, p. 344). Borrowed from Japan’s concept of “coordinated independence”, the policy offered a new way of viewing the relationship between the public and private sector in relation to national development (Zalanga, 2011, p. 28). essentially, it emphasised the need for corporation and coordination between the two where both work “closely, support, facilitate and supplement each other for rapid socio-economic development” (Siddiquee, 2006, p. 344). The public-private symbiotic relationship gospel advocated at the time turned into concrete schemes such as Malaysian Business Council (MBC), the Malaysia Inc. Officials Committee and consultative panels. In these forums, dialogue sessions at different levels take place between the business and the public circles, thereby facilitating exchange of ideas and information. But the success of this policy ultimately is the effect it had on the public officials’ mind-set. They now perceive and treat private entrepreneurs as partners in the process of national development (Siddiquee, 2006). Evidence of this change of mind-set is seen in the philosophy behind Malaysia’s Vision 2020 where the role of the government is conceived as the architect of the vision and the private sector as the main drivers. This is important as there is a win-win situation for both sectors in the relationship. While the private sector benefits from higher profits and growth, the government also benefit in terms of revenue increase and employment increase.

#### *5.3.1.2. Reorienting service process*

Malaysian government committed itself to critical study to evaluate its service sector in the early 1990s. The result was an overhaul of the service process which was characterised by red-tape. Government sought to “rid administration of bureaucratic practices” and ease regulations and procedures for the benefit of their clients (Siddiquee, 2006). Concrete steps include reduction of red-tape through speeding up approval process for applications related to the issuance of permits, licenses, and land administration as well as economic, investment and other matters (Siddiquee, 2006, p. 346). Given government’s positive bias to business flourishing, the reform favoured a quick and hassle-free service to investors both domestic and foreign. One-stop clearance centres where all necessary services pertaining to issuance of licenses and permits were established to reduce time and resource waste in obtaining business approvals (Sarji, 1996). An example of this was the transformation of the post offices under the Public Service Networks (PSN) to provide services ranging from renewal of various



licenses, stamping, and payment of road-tax etc. An empirical study done by Hussain (1995, p. 71) reveals that the One-Stop payment, Service, and Licence Centres were considered by the public as effective reforms.

#### *5.3.1.3. Personnel management*

The introduction of the New Remuneration Scheme (NRS) in 1992 and the new system of performance appraisal was another reform conducted by the Malaysian government to better its public sector. The policies were attempts to make public sector pay and promotions more objective and reliable (Siddiquee, 2006). In particular, linking performance to reward (logic of meritocracy of DS), NRS introduced a matrix salary schedule (MSS) to replace the old linear salary scale. This allows greater degree of flexibility in promotion based on employees' performance in four different directions: static, horizontal, vertical and diagonal. Dynamic performers are able to move diagonally and enjoy double annual increments compared to average performers; while poor performers are not rewarded (Siddiquee, 2006; Zalanga, 2011). With such scheme, employees' morale to work hard for reward is high. Other than this, organisational structures were altered to reduce the layers of authority and supervision which made government departments amenable to faster decision making (Zalanga, 2011, p. 35).

#### *5.3.1.4. Quality and productivity upgrading*

Malaysian government was able to institutionalize quality ethos in the public sector through the adoption of the total quality management (TQM). TQM was aimed at drastically reducing wastefulness while increasing productivity performance to the highest level (Zalanga, 2011). Training under quality management during the time focussed on themes such as prioritizing customer; focus on prevention; on continuous improvement; building a sense of ownership among workers, leadership and commitment of top management, and measurement of performance (Zalanga, 2011, p. 32). In addition, the government also adopted internationally recognised ISO<sup>46</sup> 9000 series in 1996. In fact, it is the first country in the world to embark on ISO for the entire government machinery (Common, 2001). The goal is to create a culture where quality and productivity improvements become part of ordinary expectations; hence, all government agencies and units are tasked to strive for and achieve ISO certification. According to an empirical study conducted by Abdullah et al. (2012) out of Malaysian 149 Local government Authorities (LA) 43 have been able to achieve ISO certificate. While this is a minimal success, it nevertheless reflects the seriousness of the government to quality control,

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<sup>46</sup> International Organisation for Standardization

and its commitment to “develop an efficient and effective quality management system in order to consistently provide the best service to the public” (Abdullah, et al. 2012, p. 3676).

#### *5.3.1.5. Client’s charter and public accountability*

The Malaysian public sector was mandated to up its game of accountability by assuring its service users that it is committed to their care. Concrete steps taken in this direction were the introduction of Client’s Charter – more like British “Citizens Charter” (Siddiquee, 2006). By this, government agencies were mandated to declare quality standards to which they would commit themselves and for which the public can hold them accountable (Zalanga, 2011, p. 31). On the account that they fail to comply with the standards, the “client” can lodge complaint to the Public Complaints Bureau (PCB) where appropriate response is expected to follow. More than anything, the Charter provides performance indicators that enable the public to hold government service providers accountable for poor service delivery (Common, 2001). Another useful initiative was the use of name tag by civil servants introduced by Mahathir. This helps the public to know the name of officers attending to them and through that communicate and interact at personal level. It likewise helps in the identification of corrupt and non-performing officers for accountability purposes (Hussain, 2000, p. 68).

#### *5.3.1.6. IT culture and E-Government*

Malaysian government has taken notice of the potentials of information technology (IT) to transform service provision in a remarkable way. In Siddiquee’s (2006, p. 349) judgement, Malaysian government is well ahead of other developing countries in terms of incorporating IT application in the administration of governance. Malaysia established the Multimedia Super Corridor in 1996 and also initiated E-Government scheme through which performance and quality of public services were bettered. These government initiatives are in line with the goal of transforming Malaysia into a knowledge-based society (Kaliannan *et al.*, 2009, p. 544). E-Government policy was particularly comprehensive and through it, citizens can now access services like driver and vehicle registration, licensing and summons services, the payment of utility bills and others online from the comfort space (Siddiquee, 2006, p. 349). In terms of government and business relationship, E-Perolehan in particular was a welcome deal. The portal is the official online marketplace for suppliers and government agencies, and enable suppliers to receive information about tenders from public agencies nationwide. Another one is the Government Multi-purpose Card which serves various purposes: cashless financial transactions, national identification document, driving license, passport and health information

(Siddiquee, 2006, p. 349). With such e-services, the citizens are now able to access government services anytime, anywhere without being constrained by agency working hours and distance. The success of this initiatives also depended on the availability of supporting infrastructures and government expansion of them (Kaliannan, et al., 2009).

Other reforms include privatisation and downsizing of government. Also, at institutional level, bodies like Public Service Department, National Institute of Public Administration, Malaysian Administrative Modernisation and Manpower Planning Unit and the Panel on Administrative Improvements to the Civil Service were all established to oversee the reforms and keep improving the public sector. As a general remark on the foregoing is that the Malaysian government responded well to international trends as well as domestic pressure to reinvent itself into a relevant and competitive agency capacitated by innovation, efficiency and productivity. While these values are consistent with NPM principles driving service reforms across the globe (Siddiquee, 2006, p. 350), they also reflects Malaysian innovations and are consistent with developmental state structures.

Statistical findings support the foregoing analysis. In particular, relative success in institutional reforms in Malaysia has helped the country to maintain a steady competitive edge in the world economy as regularly demonstrated in *World Competitiveness Report publication* of WEF. In 1995 report, Malaysia ranked 21<sup>st</sup> out of 48 countries surveyed and was third highest among non-Organisation of Economic Cooperation and Development (non-OECD) countries (Karim, 1996). Karim (1996) reported that in the sphere of government, Malaysia was ranked first in the world that year. Malaysia's scores in the 2014-2015 report shows a consolidation in this regard, albeit some not so performing areas. The Global Competitiveness Index (GCI) overall rank is 24 out of 148 countries with a difference of plus one from last year's ranking (WEF, 2014). In recognition of this achievement, Malaysia has been rated as having advanced from factor driven and efficiency driven to transitioning state towards innovation driven development stage (p. 260). Its institutional strength is ranked 20 among the countries surveyed, and under the index of burden of government regulation, it is ranked 4th in the world.

The advantages of ICT which the Malaysian government harnessed is worthy of note in this regard. Its capacity to improve efficiency and productivity is highly acclaimed in literature (Kaliannan, et al., 2009, p. 544). Importantly, the imitative cuts bureaucratic web, increases transparency and reduces corruption in the public sector. It reconnects citizens with government and provides them with tools and forums for participation. In general, while there

is still more room for improvement, bureaucratic reforms carried out in Malaysia have generally been successful in changing attitudes of civil servants towards the goals of efficiency, effectiveness and productivity (Hussain & Brahim, 1995).

### **5.3.2. The state of Nigeria's Public Sector**

One reading of Evan's central thesis is that developmental states differ from non-developmental state on the basis that "they have Weberian type of bureaucracies" (Zalanga, 2011, p. 2). In contrast, predatory states (non-DS) have bureaucrats that are self-maximizers as they conduct government business in a patrimonial manner. Other than allowing rationality to guide their conduct, self-interest takes priority. They "use their official position in development policy making and the allocation of public resources to make money for themselves as individuals or their relatives" thereby, marketing "their official position and professional discretion to the highest bidder" (Zalanga, 2011, p. 6). This description as it shall be demonstrated bellow, fits the state of arts of Nigerian bureaucracy for the larger part of her history, and arguably reflects why even when government develops projects and programs for transforming the nation, its implementation is less effective.

Another succinct point to note here, is that for the larger part of Nigerian history, the ruling elite coalition sitting on top of the bureaucrats have not provided credible leadership for the transformation of Nigerian bureaucracy into effective apparatus for development. This is unlike the Malaysian case where the leadership, exemplified by Dr. Mahathir provided an impetus for radical transformation of the bureaucrats. Zalanga's (2011) central thesis underscores the importance of the link between elite coalition and the nature of bureaucracy; and in this sense, follows Weber who placed political elites as central in the explanation of bureaucratic capacity and effectiveness in national development.

Recall that Malaysian reforms were initiated by both external and internal pressure. But more than anything, the internal changes in the emergence of Dr. Mahathir and his elite coalition bear enormous effect on the reforms. Like Malaysia, Nigeria had followed interventionist and expansionist approaches from the mid-1970 following the oil boom. As a result, the 1980s was a crisis period for Nigeria just as it was for Malaysia; and it presents a perfect ground for reforms within the government. But decisive leadership figure with a conviction for transformative need never arose (Zalanga, 2011, p. 39). To be fair, it must be said that during the period, political stability enjoyed in Malaysia was not a Nigerian privilege (e.g. Dr. Mahathir reigned for 18 years while most Nigerian leaders suffered from coups). But even

when some stayed longer like Gen. Babangida and Abacha, genuine commitment and consistency to reform in favour of development was largely absent (Zalanga, 2011, p. 39). To this end, while Malaysia was able to restore a balance between economic rationality and political legitimacy in the immediate time following the crisis, the Nigerian government was at best ambivalent. Consequently, by the close of 1990s, the ruling elites had lost legitimacy and there was little economic rationality left in its conduct of business in Nigeria (Zalanga, 2011, p. 39-40).

Furthermore, unlike their Malaysian counterpart, reforms initiated by Nigerian leaders (with the exception of Obasanjo tenure) were mostly at the macro-economic level. The Malaysian case was decisively accompanied by socio-cultural reforms (Zalanga, 2011, p. 40; Hussain, 2000). Particularly, Mahathir's aggressive reform was oriented towards transforming the socio-cultural setting within which development process was taking place. Given this twofold approach of macroeconomic programmes and socio-cultural reforms, it was not surprising that Malaysia recorded more successes than Nigeria.

In contrast, Nigeria's reforms were basically macroeconomic, especially as dictated by the IFIs. What could count as socio-cultural reforms in Nigeria lacked consistency, comprehensiveness and political mobilisation of coalition to make it a success. Some of the programmes include: Operation Feed the Nation (OFN); Jaji Declaration; Ethical Revolution; War Against Indiscipline (WAI); and Mass Mobilization for Economic Recovery, Self-Reliance and Social Justice (MAMSER) (Zalanga, 2011, p. 40). For instance, during both Gen. Babangida and Abacha's regime, political and economic reforms were initiated. The former was to enable smooth transition from military to civilian-democratic governments; and the latter was geared towards turning the state from expansionary and interventionist to pro-market forms. It is on record that both reforms were characteristically inconsistent, and were largely a failure.

In similar sense Eneh (2011) laments that Nigeria's problem has not been that there were no reform initiatives but too many with no commitment to implementation. In his description, "the typical Nigerian government is plagued with institutional/structural inconsistencies and discontinuity" (Eneh, 2011; 14). Consequently, officials are not committed to the development policies of their predecessors. The attendant effect is proliferation of reforms. In this current republic alone reforms undertaken include: Monetary Policy Reforms, Electoral Reforms, Health Sector Reforms, Land Reforms, Insurance Reforms, Banking Reforms, Economic Reforms, Electric Power Sector Reforms, Telecommunications Regulatory Reforms, Public

Enterprises Reforms, Education Reforms, Trade Union and Labour, Political Reforms, Reforms, Local Government Reforms, Justice Sector Reforms, Market Reforms and more (Eneh, 2011, p. 33). Good as these might sound, lack of coordination and coherency among these reforms have hampered genuine socio-cultural transformation.

It is important to mention that public sector reforms worthy of consideration in Nigeria only began with Obasanjo's democratic regime. Examination of the state-of-arts of the sector upon assumption of office in 1999 had convinced him that "the time-tested approach in conducting government business had degenerated to such an extent that the Public Service Rules, Financial Regulations and Ethics and Norms of the Service were jettisoned either due to sheer ignorance or for selfish reasons" (Eneh, 2011, p. 35). The new social and economic order Obasanjo envisaged to create were to enthrone good governance, accountability and transparency, and zero tolerance for corruption. The comprehensive reforms were conducted based on the NEEDS framework. The four focus areas were macroeconomic environment, structural reforms, public expenditure management, and institutional and governance reforms.

With respect to the public sector, Obasanjo identified in his inaugural address, the following problems: "inefficiency in social service delivery, insensitivity to general welfare, indifference to the norms guiding the conduct of public offices and grand corruption" (Eme & Ugwu, 2011, p. 43). Because of this, public institutions had weakened, citizens distrust government, infrastructures were dilapidating and a sense of despair reigns among the people. Under such circumstance, Obasanjo rightfully saw a need to launch reform, in his word, "the beginning of a genuine renaissance". Hence, his reforms were intended to reposition the civil service as a crucial instrument for development. Besides this internal pressure, one cannot discard the influence of external pressure. Enormous pressure borne out of increasing globalization meant that the role of government had to change if it must remain effective. How did Obasanjo carry out his reforms?

#### *5.5.1. Initiatives under Obasanjo reforms*

Obasanjo's first action was to organise a 10-day seminar for all Federal Permanent Secretaries a week after his inauguration during which he charged them to lead the change process in the Civil Service so that the service sector would provide needed support for his administration. He categorically warn them that more than ever, accountability and transparency would now be required of the top bosses. Following this, there were series of retreats organised for Ministers, Special Advisers and Permanent Secretaries between 1999 and 2001, like the notable

4<sup>th</sup> Presidential Retreat held at the National Institute for Policy and Strategic Studies (NIPSS), Kuru, Jos (23-25, Feb. 2001). The retreat was themed “The New Orientation”, to emphasise the direction the administration wishes to go. At the end of its 20<sup>th</sup> edition of Workshops in which there were 1, 902 participants, a final Communique issued identified seven issues relating to Nigeria’s Civil Service as needing attention.

- i. The expansion in size which had occurred between 1960 and 1999
- ii. Decline in the institutional capacity, efficiency, effectiveness and commitment of the service,
- iii. Renewed focused on ethical and moral issues, particularly, the popular perception that the civil service was corrupt,
- iv. Emphasis on training and retraining of officers,
- v. Reviewing Civil Service rules and regulations and ensuring their uniform applications in the entire Public service,
- vi. Restructuring and streamlining the service,
- vii. Establishing a Public Service capacity Assessment and Administrative Reform Council to lead the process of injecting freshness and dynamism into the sector (cited in Eme & Ugwu, 2011, p. 46).

In a similar forum, a review of Nigerian Civil Service undertaken by the then Head of Civil Service of the Federation, Alhaji Mahmud Y. Ahmed, reveals the following embarrassing diagnosis:

- a) An aging workforce,
- b) More unskilled staff (70% of the entire workforce were of officers under level 06 while only 1.7% were of strategic thinking Directorate Cadre)
- c) Prevalence of “ghost” workers which reflects poor personnel records and payroll control systems
- d) A highly centralized, hierarchical and rule-driven system that stifled individual initiative and muffled corporate accountability,
- e) Government agencies were without clear mission and vision statements or corporate and individual duties schedules
- f) Public institutions were under-resourced, hence incapacitating transition to adoption of modern technology
- g) Professionalism had been significantly eroded
- h) Policymaking lacked painstaking analysis, consultation and monitored control and was more of routine practice
- i) The procurement system was fundamentally flawed as it was neither transparent to bidders nor to the public (Eme and Ugwu, 2011).

These submission follows general observations that Nigerian bureaucrats have not effectively functioned as vanguard of economic prosperity through state-supported private industrial development; and in implementing and negotiating investment decision. Instead, the Nigerian Public Service is charged as “being: (i) lethargic and slow, (ii) insensitive and unreliable, (iii) unhelpful and wasteful, (iv) slow to change, (v) unresponsive and discourteous to the public,

(vi) corrupt, (vii) over-bloated, (viii) insensitive, (ix) parochial and often ethnically-biased processes, contract award, etc.” (Eme & Ugwu, 2011, p. 47).

Consequently, decisive actions taken during the reform years include overhaul of the Civil Service like when about 50% of Permanent Secretaries were disengaged. Also, the Civil service Rules and Financial Regulations were transformed into Public Service Rules and Financial Regulations to make them relevant to the time and workers morale were boosted with salary increase between 250-350% (Eme & Ugwu, 2011, p. 46). At the structural level, ministries, departments and agencies (MDAs) were restructured leading to reductions. For instance, the Finance Ministry departments reduced with some being merged and economists/financial management professionals were deployed to lead them. For instance, the employment of Dr. N. Okonjo-Iweala to chair the Nigeria’s economic unit and the calibre of CBN governors during the fourth republic is arguably a contributor to the credible macroeconomic stability that Nigeria has enjoyed in recent time. In addition, verification and validation of staff numbers on the payroll to eliminate ghost workers were conducted. There was also massive disengagement of staff with the first batch being retired amounting to 35, 700 officers (Eme & Ugwu, 2011, p. 49).

#### ***5.5.2. Persistent failures in the Service Sector***

Despite these efforts, Nigerian bureaucracy continues to suffer serious setbacks. The focus of the reforms on structural deficiencies without necessary engagement of the socio-cultural milieu producing them explains this setbacks. Consequently, most of the problems identified prior to the reforms still persist. As the WEF-GCI of 2014 indicators shows, government operations contribute to business challenges in Nigeria. Issues like corruption, justice system and security are serious grey areas for Nigeria. For instance, some of the indicators pooled from the institutional sector reveals that under the *diversion of public funds*, Nigeria ranks 142 and have only Argentina and Venezuela behind (making her the last African country in the rank). Others include: *irregular payments of bribes*, ranks 135; *Wastefulness of government spending*, ranks 134, *transparency of government policymaking*, ranks 126; *reliability of police service*, 136; *burden of customs procedures*, 132; *availability of latest technology*, 94. Highlighting Nigeria’s red-tapes in doing business, the report shows that 8 number of procedures are requirement to do business in Nigeria (Malaysia, 3) while it takes 28 days to start business (Malaysia, 6).



#### 5.4. Social Compositions and Development

If there is anything that both Malaysia and Nigeria most share in common, it is their multiculturalism and the significance that this bears on virtually every aspect of their history. The preceding two chapters have demonstrated this claim. In the case of Malaysia, Goh Cheng Teik, an academic and politician, hints on this when he asserts that “deep in our [Malaysians’] heart of hearts, we are still ethnic. We are Malays, Chinese, Ibans, Melanau, Kadazans or Bajaus” (Williamson, 2002, p. 401). What he meant is a deep-seated allegiance to race and ethnicity which defines his people’s attitude and way of life. Historically, these racial and ethnic divisions have proven to be a challenge to the emergence of Malaysian nationalism. However, what is informative from readership on the issue of race verses nationalism in Malaysia is how the country was able to mediate the difficulty. According to Williamson (2002), it was achieved through cautious effort to emphasise economic growth as a means to reshaping the society that was markedly divided into one integrated through national economy. In this sense, economic growth was perceived as instrumental, as a means toward a national culture, language, and kinlike tiers (Williamson, 2002, p. 403). This reading makes sense when evolution of policies in Malaysia is taken into account. From NEP through NDP to Vision 2020, emphases on reshaping the society through economic advancement truly shines. That this was the function of political leadership as exemplified by the crop of leaders exhibited in the era of NEP and in the person of Mahathir is undoubted.

Kennedy (2002) argues that the political elites’ ability to mobilize for national interest other than separatist or group interest can be explained by institutional collectivism as a dominant culture in Malaysia. In comparing Malaysia with other countries using GLOBE<sup>47</sup> perspective, Kennedy found that Malaysians place particular emphasis on collective well-being and display a strong *human orientation* even as they respects hierarchical differences (2002, p. 15). With such cultural background, mobilizing for national interest other than the interests of persons or race is viewed as a norm. It is commendable that the political elites seeking formula for nation-building could find it in what could be termed the lowest common factor for all the groups making up the nation (i.e. economic freedom for all). Under such circumstances, resistance to nationalism is practically difficult to arise.

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<sup>47</sup> Global Leadership and Organisational Behaviour Effectiveness is multi-method project that examine and report the interrelationships between societal culture, organisational culture, and leadership.

Equally, on Nigeria's side, pluralism defines the country's demography and this fact has been pointed out in several pages of the preceding chapter. What distinguishes Nigerian politics of pluralism from its Malaysia counterpart is the failure of the elites to galvanize enough support for national ideology that can serve as a rallying centre for a Nigerian project or nation-building. Beginning with the first republic we see Nigerian elites as "... politically fractured along regional lines at the formation of stages of the nationalist struggles" (Oyediran, 1999). It was blamed for the end of the first republic, and the juntas that killed the young democracy used it extensively in their baits and captures. Other than learning from historical crisis such as the Biafra war to forge a unified ideology of nationhood, elites' cling to personal gain has made it practically difficult for national integration to be achieved. Till date, religion, ethnicity and regionality continue to define national issues in Nigeria. Its overt manifestation is in the insatiable quest for fragmentation of the country into units as seen through political negotiation like those calling for more state and LGA creations, or as in violent expression of secession interests (MOSSOB in the east, and Boko Haram in the North and MEND in the South-south). With regard to state/local government creation, its economic rationality remains questionable given current figures coming from NBS reports on 2013 internal generated revenue which reveals that over two-third of the sub-national governments cannot support themselves for a month without Federal Allocations (Nelson, 2014). The fractional elements remain antithetical to nation-building in Nigeria (Arowosegbe, 2009).

But it is the covert and subtle manifestation that has caused more harm to nation building. Bach (2006, p. 79) called it the "settler or non-native syndrome". The syndrome owes its origin to the legal distinction between indigenes of a state from non-indigenes crafted into the country's 1979 under the guise of federal character. This distinction based on *jus sanguinis* (blood ties) as opposed to *jus soli* (residency) has created opportunity for discrimination among Nigerians (Bach, 2006, p. 79). A state in which identification is copiously judged based on indigeneness other than citizenship poses great challenge to nation-building. A quote from Olusegun Obasanjo<sup>48</sup> provides succinct appreciation of the challenge.

It is pathetic and most lamentable that after ten or twenty years of residence in any party of Nigeria, a "non-indigene" still regards himself as an alien in that part of the country. Worse still are the institutional and procedural mechanisms that accentuate, amplify and reinforce such a feeling of alienation... (Cited in Bach, 2006, p. 79).

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<sup>48</sup> Ironically, he was one of the sponsor of 1979 constitution that institutionalised the practice. Worse still, his civilian leadership did nothing to unsettle the status quo.

Such assessment coming from a member of the political elite tells that an institution – federal character – created to promote accommodation of the country’s diversity has turned to do exactly the opposite. Doing more than allowing disunity, it now actually provide forums for corruption and waste, thereby undermining economic rationality in critical centres of decision-making (Aiyede, 2009). Aiyede (2009, p. 255) argues that this happens because the syndrome splits citizenship in a way that encourages representation without taxation and this “serves to confound commitment to government effectiveness and accountability by citizens and residents”. This phenomenon promotes opportunism where elites’ practice of corruption is rarely challenged by the ordinary people. It is pertinent then, that a review of some of these practices is important as far as forging a development-oriented state in Nigeria is concerned

## **5.5. Conclusion**

The state as the most visible form of social institution remains an important factor in economic development. The present chapter discussed this claim as it relates to the countries of Malaysia and Nigeria. The comparative analysis focused on the structure of the states, the ruling elites, the bureaucrats and the societies, and examined how their interrelationships impacts on development progress within the countries.

The chapter highlights that multicultural dynamics within the countries undoubtedly played important role in their histories. The dynamics was present in the pre-independence era and was decisively used by the British colonialists; but also, pluralistic politics continues to shape the evolution of the state, its institutions and structures in both countries in the post-independence era.

In Malaysia, multi-racial relations and its role in the country’s political economy was manifested by the historical race-riots of 1969 and socio-economic and political responses it generated. It is noteworthy that during this critical period, policymakers found economic development as instrumental to nation-building. Likewise, multi-ethnic, -regional and -religious politics has been a constant factor in Nigeria’s history. Its role in the formation of the state is indicated in the choice of how the state should be constructed. While federal system of government was chosen since the inception of the state, the essence of the structure has been particularly unique to the Nigerian multicultural polity. As Bach (2001) underscores, the consociational federalism adopted by Nigeria was primarily to regulate geo-ethnic tensions over representation and resource control. Given the emphasis placed over *control* rather than over production of wealth as a means to nation-building like those of the Malaysian state, it is

no surprise that Nigerian state structure has been described as rent-seeking, prebendal and neopatrimonial. Consequently, access to power at the centre as a means to personal wealth has characterised the Nigerian state, and this continues to surface through unending agitation for state and local government creation, which as demonstrated in the chapter is a rallying cry for access to federal pool.

The chapter profiled the relationships that elite coalition, bureaucratic machineries and social forces have on economic performance in both countries. Broadly stated, the relationship was more favourable in Malaysian case than in Nigeria. Therefore, the next chapter is specifically dedicated to Nigeria. Attempts shall be made to suggest possible ways in which the state can be repositioned to hasten its process of actualising inclusive growth and development.

## CHAPTER SIX

### **The Relevance of the Study for Developmental Discourse in Nigeria**

*“There cannot be good leadership without vision... For us to be a true giant of Africa, we need to transform from being a people interested in just sharing the national cake as it is today to a people realising that the way forward is in baking a much larger cake”*

(Jimi Agbaje<sup>49</sup>)

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<sup>49</sup> He was a Lagos State gubernatorial aspirant in the 2007 and also in the up-coming 2015 election (*National Mirror*, Jan. 16, 2014).

## 6.0. Introduction

Developmental state discourse provides useful lens in understanding countries' effort to meet developmental aspirations like those of UN's Millennium Development Goals (MDGs). As the benchmark year for the MDGs draws to a close, general assessments shows remarkable progress across the world, albeit in an uneven manner. But also, it is in record that most countries in the Third World are yet to meet most of these development goals, especially the core problem of poverty and socio-economic exclusion. Nigeria's developmental trajectory which has been traced in this study is an example. Poverty not only remains high but continues to surge. In view of this challenge that Nigeria's developmental process exemplifies for developing nations, discourse on development is far from being tied to MDGs of 2015.

There is already global discussions on way forward beyond 2015. This debate as championed by UN's Post-2015 Development Agenda vindicates the claim that most peoples of the world are yet to experience improved living conditions (UN, 2013). Statistics shows that over a billion people, majority of whom reside in Africa and East Asia are still extremely poor (World Bank, 2014/2015). Nigeria's case is particularly worrisome as the country is currently undergoing economic transformation that has seen remarkable growth level but slow human development progress since the millennium. The country's political economy that was mapped out in the previous pages suggests a skewed approach to issues of development with attendant growth without equity. This means that the state has been ineffective in performing its role as a pillar agent of development. Evident of this is the structural and ideational element of the state that is starkly disoriented away from development. For lack of better term, this thesis grouped them as institutional factors. Having identified them in the previous chapter as inherently short of driving development, this current chapter argues for re-ordering the state to become development driver.

It is identified that calls for obliterating or deposing the state of its functions vis-à-vis economic performance which orthodox development discourse advocates is counterproductive to the goals of development that peoples of the world aspire. Discourse on DS as Joshi (2012) argues, provides rewarding alternative to this neoliberal approach that have historically recorded less successes in developing countries. It requires a development-oriented state and leadership to harness resources needed to transform socio-economic landscapes of developing nations that have long suffered socio-economic malaise. In this study, Malaysia's developmental profile exemplifies this approach. Armed with ideational developmentalism, the Malaysian state evolved to become effective at facilitating social transformation of her society.

The preceding chapter identified long-term commitment to issues of development, elite coalitions around developmental pathways, administrative effectiveness of the public service and public-private/civil society partnership as the elements of a state capable of driving development. While these points cannot be overemphasised, attention must now turn to practical ways in which a developmental state can engineer development within its territory. Again, Nigeria and Malaysia are the focal cases examined here. The chapter begins by emphasising the definitive character of a developmental state as performance. Next, it articulates three pathways that a developmental state can strategically use to enhance the living standard of its citizenry. This last task draws from Joshi's (2012, p. 359) enriched DS discourse that identifies developmental states as "various types of states that have been able to meet most of the MDGs within the space of only one or two generations" through strategic development of an initial comparative advantage in three specific "capitals": human, natural. The argument in this chapter mirrors Agbaje's statement above that the state, through her leadership institutions, development-orientation and productive workforce, is required to actively create advantages in the resources within her territory and turn them into wealth creation alongside attendant human development progress.

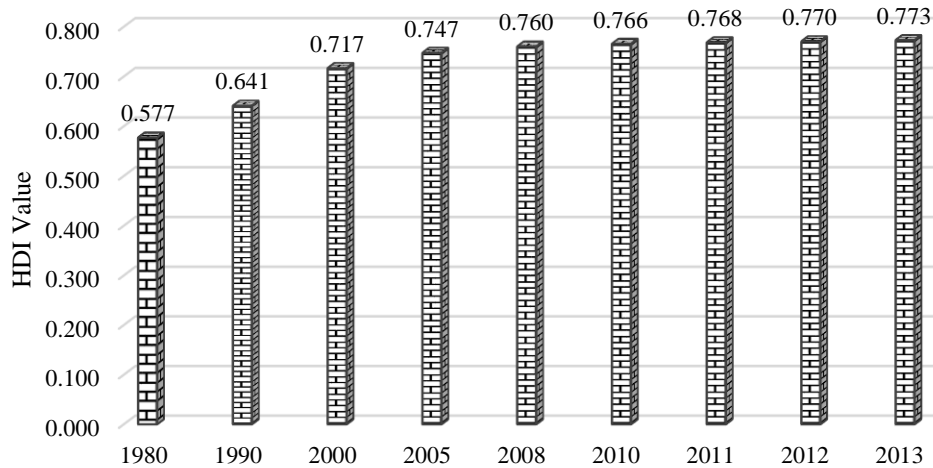
### **6.1. Performance-Oriented State**

Developmental transformation requires performing governance at both political and administrative level of the state. DS discourse on legitimacy as an attribute of embedded autonomy explains why this is important. For instance, Trezzini (2001, p. 335) draws on Bornschier (1996) theory of social change which argues that more legitimate social arrangements are more likely to entail economic success than those based on blunt force and coercion. This Bornschier's notion encompasses the fulfilment of *equality* and *efficiency* as conditions to which "social actors acknowledge and approve within a social order". To this, Alagappa (1995, p. 32) enumerates the sources of state legitimacy as: "procedural conformity" (rule of law), "normative goals" (notational ideologies), "performance", "charisma" (personal authority of a leader), "a political defining moment" and "international support" (good governance). But in a developing country, like Nigeria, where political system with a strong commitment to normative consensus is weak, mere procedural conformity (such as frequent elections) is not enough for state legitimacy. Besides these other things, performance becomes more important and it is here that the state-society relations lie (Trezzini, 2001).

As Trezzini (2001) argues, Malaysia's success was not only based on robust state-capital (private sector) relationship but was underscored by fulfilling relations between state and the

general society. The state achieved this through establishing legitimacy via the route of economic performance, legal rule (Malaysia’s formal democracy and rational administration), ideological appeal and reclaimed religious tradition (Islamic revitalisation) (Trezzini, 2001, p. 336).

Fig. 6.0: Malaysia: HDI trends, 1980-2013



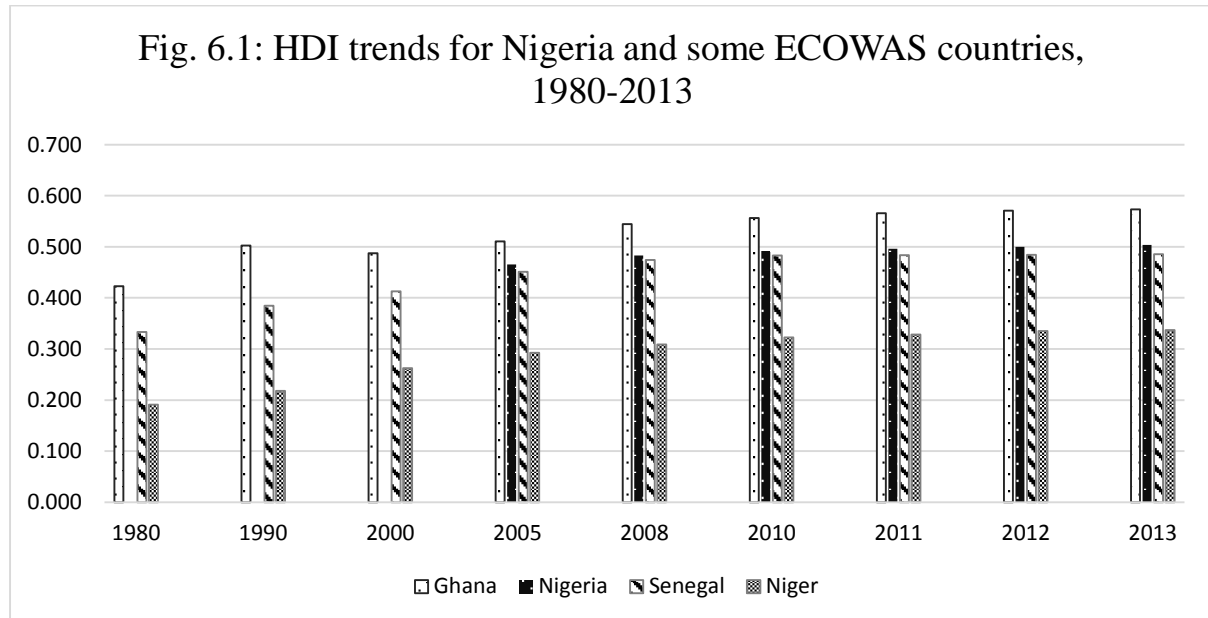
Source: WEF, *World Development Indicators* (2014).

In terms of performance as a source of legitimacy, Malaysian government have tried to sustain a modest economic growth since independence and especially after its recovery from the mid-1980s and 1997 recessions. Reminiscent of this and demonstrative of its developmental nature is Malaysia’s strides in human development progress which figure 6.0 illustrates. Using Malaysia’s score of human development values (as distinct from ranking which obscure a country’s progress due to the fact that number of countries surveyed tend to vary from year to year), the graph shows a stable progress from 1980 to 2013. It was 0.577 in 1980 but leaped to 0.717 in 2000, then 0.766 in 2010 and 0.773 in 2013. Trezzini (2001) considers this impressive economic efficiency-equity as an important factor that fosters social stability and enhances the legitimacy of the state. In other words, engineering economic growth and development keep the state bound to the society, and the effect of this stability on further development evolution is boundless.

In this context, social crisis can be understood as a reflection of state legitimacy, a failure of the state to carry out its leading functions. This is what sets a developmental state from non-developmental state. While the former promotes socio-economic development at a broader level and through that establishes system stability (Meyns & Musamba 2010, p. 46), the latter



engages in prebendal activities that skews wealth creation to a simple few members of the society. Consequently, uneven development or growth devoid of equity sets in crisis that destabilises the system.



*Source:* UNDP-HDR (2014)

The Nigerian social crises can be appreciated as indicative of a problem of state legitimacy. And this is a function of state separation from the society. Amuwo’s (2010) post-colonial analysis describes how Nigerian state became separated from the society (both capital and civil society). He argued that Nigerian political economy history shows that the nation has had to choose between economic nationalism, and imperialism and transnational capital. The post-colonial Nigerian state was described as “captured category that lacks relative autonomy in relation to both domestic and transnational capital”, with the balance often tilting towards the former (Amuwo, 2010, p. 430). In this form, either it was used to serve the interest of the transnational capital or it was used as a means to accumulate personal wealth by the elites. Under this condition, the public ethos of providing basic security and welfare services was subverted by the elites.

A follow-up on this is indicative of Figure 6.1 low valuation of human development progress in Nigeria. In 2005, Nigeria’s human development value was 0.47. Up until 2013, it is yet to reach the median mark of 5 point, and throughout the period reviewed, Ghana was leading while Senegal and Niger trails behind Nigeria. In the face of low development value and its slow pace, as partly a function of the state, most Nigerians came to see the state and the ruling

elites as “distant, selfish and lacking in integrity” (Lewis, 2003, p. 131), and these have divided the governors from the governed (Amuwo, 2010, p. 431).

This dichotomy between the state and society is engineered by neoliberal policies that Nigeria has unreservedly revered. Consistently, Nigeria’s orthodoxy applications continue to truncate welfare state structures (Amuwo, 2009). Among other things, this creates social instability which has negatively impacted on the development processes in Nigeria. Uwazurike (2007, p. 84) offers a succinct description of the Nigeria’s variant of legitimacy crisis: “from 1970 to 2005, the Nigerian state witnessed over 150 riots, strikes, demonstrations, mini-civil wars, religious mayhem and organised peasant uprisings alone – much of (it) attributable to the economic insecurities of the dysfunctional state, whether under the military or the men in *agbada*’<sup>50</sup>. Describing similar phenomenon, Azeez (2009, p. 217) asserts that because the “people’s expectations of dividends and good life had been dashed on the altar of ineptitude, greed and lack of dignity”, the ruling elites now “lack acceptability from the governed and invariably suffer legitimacy crisis”. Akin to a circular movement, these crises strain social cohesion that further impacts negatively on development process.

Insecurity for instance, has become national embarrassment in this current republic. The earlier quarter of the period witnessed sporadic uprising in the Southern Nigeria. In this latter part, the activities of the notorious terrorist group called Boko Haram has put Nigeria’s national security at jeopardy. An official report from the Federal Government in October 2014 claimed that about 2, 000 lives, including security personnel and foreigners, had been lost to terrorism in the period of 180 days since about 200 Chibok School girls were kidnaped by the gruesome group in April 14 2014 (Adepegba, 2014). Despite government concerted effort to ameliorate the situation in the North-Eastern part of the country, the war against terror has been far from over.

These events are instructive of the way forward for Nigeria. The fact that in many quarters across the country, causes of social unrests are tied to issues of poverty, unemployment and bad governance, among others is indicative. For instance, a Special Security poll results released by NOIPolls<sup>51</sup> in July 2014 reveals that political interest (election issues) (26%) and unemployment (21%) were considered by Nigerians as major causes of terrorism in the country

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<sup>50</sup> *Agbada* refers to the usual traditional wears with long robes worn by most Nigerian civil men.

<sup>51</sup> NOIPolls is an independent opinion polling and research organisation funded in 2006 by Okonjo-Iweala and in partnership with US’s Gallup Organisation to provides relevant information on Nigeria’s polity

(NOIPolls, 2014). Since “extensive state-building frequently follows severe political crises” where crises is understood as “a period of intense opposition during which institutional elites experience a heightened risk of losing their positions and authority” (Lange, 2009, p. 2), it is then appropriate to expect a rethink on development approach in Nigeria<sup>52</sup>; one that is along a more inclusive socio-economic improvement. That militia activities at the four corners of Nigeria constitute threat to the Nigerian nation, her elites and their authority is undoubtable. Thus, the insecurity prevalence in Nigeria which is symptomatic of the general ‘developmental crisis<sup>53</sup>’ holds potential for re-commitment to nation-building.

Concerning this, Nigeria can learn from Malaysian experience. Evidence provided in chapter three and five suggest that from the 1960s, Malaysian developmental-orientation was borne out of sheer need to respond to political crisis which resulted from long term social inequalities among constituents of her federation. In view of declining state legitimacy, the political elites were forced to consensus on the scope and direction of development for which the administrative elites were pulled along. The institutional element that helped this consensus was the existence of the elite coalition reflected in the structure of the ruling party, Barison Nasional. The party consisted of the dominant Malay UMNO, the Chinese MIC and the India MCA. According to Ritchie (2005, p. 741), the “coalitional bargaining resulted in a complex mix of liberal and illiberal economic policies” with a logic that satisfies each party’s interest to a great extent. The logic, Ritchie argues, was to maintain and expand trade and investment that would generate enough growth to finance costly but necessary redistributive intervention. While the former part of this bargain satisfies the Chinese business interests, the benefits was also implied in the “special character” of the Bumiputera. Consequently, the coalition did not upturn the Chinese business elite. Meanwhile, it channelled increased state revenues through redistribution to raise the economic state of the Bumiputeras. Thus, it can be argued, economic interests played role in the emergence of elite coalition in Malaysia.

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<sup>52</sup> It is important to emphasise that crisis in itself does not necessarily result to change in development approach. Most post-colonial states in Africa demonstrates this claim. It could be that because certain sections of the society benefit from the status quo, they would do whatever possible to maintain the old-ways. However, where the larger population, as in the case of Malaysia (recall that the Bumiputera possesses political hegemony) are at the disadvantage, their persistent demand for change cannot be ignored. In the Nigerian case, while political hegemony is apparently not in favour of any section of the society, there is a sense in which the general electorate is considered as disadvantaged by the status quo. Consequently, as their agitation for change is desperately manifested in the various forms of social crisis Nigeria is witnessing, they constitute a threat to the benefactors of the status quo. In their numbers, they are a force to reckon with for the change that Nigeria needs (See Edigheji, 2014 for arguments along this line).

<sup>53</sup> It refers to widespread inability of people to meet their basic needs (Lange, 2009).

Incorporated into the two core policies of the period between 1970-2000 (NEP and NDP), the underpinning ideology was growth with equitable distribution (EPU, 2004, p. 1). The practicality and the efficacy of the developmental ideology was its tie to the two socio-economic problems of the society namely, poverty and inequality. What is of interest here is that the Malaysian political coalition followed a period of crisis. The elites were aware of their difference (Race, religion and political affiliations) but they could agree on one thing, in Williamson's (2002) analysis, "economic growth" as "the means toward a national culture, language, and kinlike ties – the ground *for* Malaysian nationalism". Subsequently, rhetoric such as Malaysian Incorporated were developed and propagated, clearer visions like *Vision 2020* that sets target for the country to raise the country's standard to a developed countries level in a tune that promises economic prosperity for citizenry emerged and were followed up with vigour. In this sense, the emphasis placed on nationalism takes the shape of "reputation building"; creating a sense of "developmental urgency" (Leftwich, 1995).

For Williamson (2002, p. 403), Malaysian nationalism or developmental ideology flourished because "it appears to be apolitical, more a financial nationalism that promises Malaysians future prosperity rather than rights to public assembly and expression". Observers of the period of NEP for instance, affirmed that Malaysian unity grew, and in particular, the business circles which was hitherto divided found "an erosion of ethnic exclusivity and identity" (Searle (Searle, 1999, p. 249). Thus, it can be said that political crisis helped to promote major institutional transformation by increasing political consensus among Malaysian (Lange, 2009).

It can be argued that the culture of collectivism played important role in the evolution of Malaysian elite coalition. Kennedy (2002) has argued along this line elsewhere. Social emphasis on collective well-being which is predominant in the society would have facilitated the emergence of the coalition. More than anything, the culture prioritised harmony which all parties marking up the Barison Nasional are less interested in upsetting (Kennedy, 2002, p. 16). But also, it aids the emergence of leadership that where capable of moving beyond narrow ethnic interests to a broader national interest.

Like Malaysia, Nigeria is a multicultural society and has had a fair share of the challenges of multicultural politics, including the civil war of 1967-70. It is wise to take cue from current unrests and see this as a "systemic vulnerability" that requires the collective effort of all Nigerians to address. A better way is not the usual political means of more representation and more separationist agenda and ideology. As Amuwo (2010, p. 432) affirms, "the issue of new

states falls in the realm of distribution and consumption, not production and meaningful development”. A cursory examination of most existing states indicates that majority are “small, inefficient, ineffective and ineffectual particularly from the standpoint of economic viability and social provisioning” (Amuwo, 2010, p. 432); they depend largely on federal allocation for subsistence. An alternative to further separation of the federation into unproductive units is to transform existing units into self-sufficient ones through well-thought out developmental vision.

The effectiveness of the vision requires it to be inclusively appreciated. As in Malaysia, financial or better still, a developmental ideology holds such promise. Every section of the state can identify with projects that aims to uplift its social conditions, and hence, this can generate much warmer response. But its emergence and effectiveness is dependent on the prevalence of favourable institutions in Nigeria. At the moment, Nigeria does not have an institutional political elite coalition that favours a national project. Instead, the culture of factionalism has marred the possibility of a national coalition around developmental project. The culture of political leadership which continuously exploit religion and ethnicity to further personal interests is to be blamed for this failure. This is because, it is the function of the leadership to provide the rationale for developmental policies and give legitimacy to otherwise unpalatable ‘sacrifices’ that must be made for the realisation of visions (Mkandawire, 2001, p. 291; Routley, 2014). Alarmingly, “since independence, the political class [in Nigeria] has exploited religion and ethnicity to further their interests” (Edigheji, 2014).

The upcoming 2015 election in Nigeria is another window opportunity for Nigeria’s development. The electorate would do well to judge leadership aspirants on the basis of ideological soundness: is it developmental or partisan/sectional/separatist philosophy? Nigerians are already tired of witnessing the latter set. Nigeria’s future leaders, among other things, must be able to mobilise popular support across sectors of the society and be able to carry along the bureaucracy to effectively deliver visions. The chances that this would be the case is improbable. Already, news media are full of reports that indicate a highly charged political landscape. Not in the sense of debating policy issues as to how the nation might be carried forward. It is highly circumscribed around whether “a Muslim-Muslim or Christian-Christian ticket” or North-North or South-South presidential ticket is right for Nigeria (Edigheji, 2014). This inability to rise above sectional interest seems to reveal certain cultural aspect of Nigerian society. It could be that there is a lesser appreciation of collective well-being in Nigeria where collective stands for trans-kinship ties. Instead, kinship ties continue to define

and play important role in Nigerian politics. How this might be resolved is beyond the scope of this research. Suffice to say that it requires drawing close the gap between the state and the society. This is because the state represents a trans-ethnic institution.

The foregoing suggests a new relationship between the state and the society. One form of this relationship is state-capital. Like in the Malaysian case, the state has to co-opt the private sector and make it partner in the development project. But to be effective, it requires positioning its administrative structures to be efficient and rational in operation. Already in chapter five, bureaucratic reforms like reorienting the civil service to imbibe values of productivity, streamlining regulatory procedures to reduce administrative wastages, public accountability and networking between agencies and entrepreneurs for business friendly environment has been discussed. The other point is for the public sector to put citizens' welfare as a priority. It is only then that the partnership between the state and the civil society can be guaranteed. As Laski (1982) argues, "a state must give to men their dues as men, before it can demand at least with justices, their loyalty". Given historical injustices on the part of government's relations to citizens, it lies in the state's ambit to convince the citizens through performance on the importance of the latter's obligations to her.

Meanwhile, civil society has to rise to become watchdog to the ruling elites through mass mobilisation that calls for social transformation. It is in this sense that Amuwo (2010, p. 438) argues that the civil society must be empowered to understand their unique roles in the socio-economic and political relations of power and production within Nigeria society. They have to courageously rise to objectively challenge the elites into embracing their own roles and hold them to principles of accountability and transparency.

With an effective state-society relationship that is couched on a clear developmental vision, developmental oriented leadership and efficient administration, the state is in a better state to facilitate economic activities to the interest of furthering development within her territory.

## **6.2. Pro-Growth and -Development Interventions**

In considering interventions that have intended outcomes on development prospect for a country, it is important to make distinction between government *intervention* and *distortion*. Intervention happens when states attempt to influence economic performance through strategic expenditures (Salleh & Meyanathan, 1993). This is clearly different from a situation in which government arbitrarily masks the signals which its economic performance sends through instruments like price or currency controls; and this is distortion. The concern here is on the

former and it should be said that the focus is not on fiscal policy. Rather, it is on state's strategies towards transforming Joshi's "capitals" – human, natural and social – to wealth creating platforms that have bearings on improving people's lives. The common denominator in all three approaches is a conscious focus on the human persons as both agents and beneficiaries of development process. Needless to say that the success of these approaches in Nigeria require that the institutional state takes on a developmental status. Such a stance is capable of driving the state to focus on developing comparative advantages in the resources within her confines. In this sense, the following sections are to be interpreted as both illustrating what has been the case in Nigeria as well as suggestive of the way forward. In one sense, it further reveals the weakness in current approach to development. But also, it directs attention to the importance of taking a DS approach.

### **6.2.1. Human Capital Approach**

Earlier this year, in a redolent manner akin to what led to the formation of BRICS (Brazil, Russia, India, China and South Africa) economic bloc, Jim O'Neill made news headline with another hinting on rising economies which he dubbed as MINT. The former Goldman Sachs economists identified Mexico, Indonesia, Nigeria and Turkey as emerging economic giants with potentials to becoming economic powerhouse in the coming decades (*BBC*, 6 Jan. 2014). The basis of O'Neill's bold declaration even in the face of rising criticism from BRICS vis-à-vis investors' experience over the decade concerns both geography and demography. On the former, Indonesia at the heart of Asia, Mexico and its proximity to the United States, Turkey in relation to the East and West; and Nigeria as the most buoyant illustration of a rising African continent all stand strategic in contemporary global economy (Wright, 2014).

More importantly, O'Neill referenced MINTs' demography as an economic asset. All MINT countries have labour force-friendly (large and youthful) population, a fact that most developing countries and even BRICS members like China and Russia are unfortunately losing out on (see table 6.0 for details on each MINT country). This is even truer for Nigeria given its share size of 173.6 million people<sup>54</sup>, and an average growth rate and total fertility rate (births per woman) that is higher than other MINT countries. With Nigeria's average annual population growth rate of 2.8%, it is expected to peak at 273.1 million by 2030, a figure almost doubling its current value. Of the 2013 figure, only 4.8 million people are 65 years and above,

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<sup>54</sup> This constitute a formidable consumer force that is more than the current populations of France and Germany combined (Lake et al, 2014)

and 30.5 million are under age 5. It is equally instructive to note that the median years estimated for 2015 (17.7) is the smallest of MINTs. Statistically then, Nigeria’s demographic composition is not only labour friendly, its prospect to drive Nigeria’s growth in the coming decades is higher than other MINT countries.

**Table 6.0: Demographic compositions for MINTs**

Country	total		under age 5	Ages 65 and older	Average annual growth rate	Median age	Total fertility rate
	(millions)				(%)	(years)	(births per woman)
	2013	2030	2013	2013	2010-2015	2015	2010-2015
Indonesia	249.9	293.5	24.0	13.1	1.2	28.4	2.4
Nigeria	173.6	273.1	30.5	4.8	2.8	17.7	6.0
Mexico	122.3	143.7	11.3	7.8	1.2	27.7	2.2
Turkey	74.9	86.8	6.4	5.5	1.2	30.1	2.1

Source: UNDP-HDR (2014)

However, Nigeria’s pool of human resource is undoubtedly an asset but only in so far as it is enhanced to support other productivity factors. This is where the concept of human capital development comes handy.

The relationship between human capital and growth output has enjoyed reasonable volume of literature (Beine *et al.*, 2008; Joshi, 2012; Oluwatobi & Ogunrinola, 2011; Ranis *et al.*, 2000). These studies give positive support to the claim that human capital development significantly affects growth output. It is in this context that Awogbenle and Iwuamadi (2010, p. 4) argue that “How soon Nigeria sets to address the problems of [development in general]... to a large extent depends on how speedily it is able to develop the millions of its labour force into a knowledgeable and skilled people needed for the required change”. This submission follows globally recognised claim that human capital is one key factor responsible for the wealth of nations (Oluwatobi & Ogunrinola, 2011, p. 72). Human capital has been defined as acquired and useful abilities of all the inhabitants or members of a society (p. 72). Lucas and Verry (1999, p. 94) asserts that “investment in human capital, particularly education and training but also raising nutritional and health standards, raises labour productivity, earnings and, possibly, physical capital investment as well”. Through the mechanisms of education and training, a participant in labour is endowed with literacy, numeracy and skills to work effectively in production line. The acquired skills enhances the individual’s competencies in the matters of productivity, creativity, initiative and innovation.



According to Lucas and Verry (1999), beginning from 1960s, human capital increased rapidly in Malaysia and the other East Asia NIEs. This follows rapid increases in enrolment at primary and secondary levels of formal education alongside improved job trainings. They argue that this played important role in Malaysia’s growth as well as those of the other regions’ economies. Also, recall that one of the key focus of NDP which built on NEP was to rely on “human resource development to achieve growth and distributional objectives” (Lee, 1997, p. 33). Accordingly, attempts were made to invest in human resource development. This happened by progression in Malaysia. As Rasiah (2002) argues, this is because, at the initial stage of development, primary and secondary schools offer the initial mass labour for large scale but low skill mass production operations. This seems to be what Malaysia utilised prior to the 1990s. Especially, as government recurrent expenditure on education shows in table 6.1, Primary and secondary education took priority. This provided support for the influx of labour-intensive assembly companies relocating in Malaysia in the pre-1990s (Rasiah, 2002, p. 16).

**Table 6.1: Recurrent expenditure shares, 1984-1991**

	1984	1986	1988	1991
Primary & Secondary	69.4	68.0	67.6	66.5
Technical & Vocational	1.6	1.7	2.1	3.2
Higher education	14.8	16.6	16.5	15.5
Teacher training	4.2	4.4	4.7	4.4
Other	10.0	9.4	9.1	10.4
Total	100.0	100.0	100.0	100.0

*Source:* Lucas and Verry (1999, p. 101)

But as time went by, the neglect on high tech-knowledge development as well as little attention to science and technology started bearing on Malaysia’s labour demand (Ritchie, 2005).

Government initiated measures to increase human capital development in these areas. This is in line with the country’s vision to becoming knowledge-based economy and to increase its global competitive edge. One sector in which emphasis has become evident is the ICT and R&D. Awang (2004) reported that this change in orientation began under Seventh Malaysian Plan (1996-2000). In general, Federal Government allocation and expenditure for education and training increased significantly from RM404.9 million to RM756.6 million during the sixth plan (Awang, 2004, p. 240). This intervention correlates with the number of people enrolling for science and technological courses in tertiary institutions across the country as well as their output and employment with the year 2000 marking the turning point having recorded 52% of total enrolment in this category as different from 40.7% (Awang, 2004, p. 241). Thus, while

professional, technical and related workers were 791,000 in 1995 (9.9% of the workforce), it increased to 1,314,000 (12.1% of workforce) by 2005 (p. 242).

In the case of Nigeria, studies also highlights the importance of effective investment in human capital as a key component productivity inputs (Olayemi, 2012). In this regard, it is suggestive, given the available statistics examined under the country’s MDG profile (see section 6.2.2, MDG-1), that Nigeria’s effort towards literacy and numeracy achievement have been impressive in recent times. Particularly, government programme on Universal Basic Education has helped to make access to basic education increasingly possible for citizens. While this is commendable, the quality of the education accessed remained questionable. With primary school completion rate as high as 87.70% in 2010 and enrolment at 81% (table 6.2), it is alarming that literacy rate for 15-24 years old fell from 81.40% in 2007 to 66.01% in 2012. According to UNDP-HDR (2014), adult literacy for 2012 stands at 51.1%. This is indicative of the quality of Nigerian education system that is overwhelmingly reported as retarding (Dumbili, 2014; Pitan & Adedeji, 2012). But quality education and not only quantity is crucial to human capital relationship to growth (Olaniyan & Okemakinde, 2008).

**Table 6.2: Gross enrolment ratios**

	<b>Pre-primary</b>	<b>Primary</b>	<b>Secondary</b>	<b>Tertiary</b>
	(% of children of pre-school age)	(% of primary school-age population)	(% of secondary school-age population)	(% of tertiary school-age population)
	2003-2012	2003-2012	2003-2012	2003-2012
Nigeria	13	81	44	10
Malaysia	78	101	67	37
Ghana	114	110	58	12
South Africa	77	102	102	...

*Source: UNDP-HDR (2014)*

Furthermore, in view of the fact that development process have gone beyond “the resource exploitative model to knowledge based technology driven” (Olayemi, 2012, p. 298), mere appropriation of literacy and numeracy skills associated with basic education is not enough to sustain economic process. Hence, more sophisticated human capital development in the form of tertiary education with particular emphasis on technology, R&D, ICT, and entrepreneurship is required.

Table 6.2 above indicates Nigeria’s performance in respect to enrolment in secondary and tertiary education. Performance in the latter sense is not appealing even in comparison to Ghana, a regional country and to Malaysia. Following this trend, it is not surprising that WEF Global Competitiveness Report (2014, p. 19) indicts Nigeria that it is yet to harness latest technologies for productivity enhancements. Table 6.3 shed light on this. While Nigeria’s global general rank in efficiency enhancers is 89/144, her scores in the two sub-unit of higher education and training is very low (2.88) even by regional standard. Consequently, her performance in technological readiness is equally the least in the table.

**Table 6.3: GCI 2014-15: Efficiency enhancers (two sub-units)**

	Efficiency Enhancers		Higher education and training		Technological readiness	
	<u>Rank</u>	<u>Score</u>	<u>Rank</u>	<u>Score</u>	<u>Rank</u>	<u>Score</u>
<b>Malaysia</b>	24	4.95	46	4.8	60	4.18
<b>South Africa</b>	43	4.45	86	4.04	66	3.86
<b>Nigeria</b>	82	3.89	124	2.88	104	3.02
<b>Ghana</b>	89	3.79	106	3.46	100	3.11

*Source:* WEF, Global Competitiveness Report (2014-15).

Pitan and Adedeji (2012) examination of the phenomenon of skills mismatch among university graduates in Nigeria supplements this statistical findings that Nigeria’s university products are yet to be fully equipped to drive productivity in the 21<sup>st</sup> century era. The extent of the mismatch was found to be 60.6% with a prevalence in communication, ICT, decision-making, critical thinking, entrepreneurial skills, technical and numeracy skills. The lesson then, is to re-evaluate the content of higher education training in the country with the view to aligning it with the contemporary market needs. In this sense, Raisah’s (2002, p. 12) submission is worth noting: “entrepreneurs acquire and develop tacit and experiential skills from learning by performing in real business environments and in a systemic network”, rather than in a formal training institutions devoid of real business world experience. Thus, tertiary education would do well if learning environments are well connected to the real world of business and production.

To round up this section, it has to be pointed out that Malaysia’s relative success in human capital investment derives from the country’s institutional commitment to development. Education was believed to be instrumental in solving the two focus issues of Malaysia’s developmental ideology: tackling poverty and social restructuring (Brown, 2005; Freedman, 2005). This follows the understanding that human development is not only an end but is crucially a means to economic growth and development. Ranis et al. (2000) study reviewed in

chapter two touched on this point in their investigation of the relationship between economic growth and human development. Their study affirms a positively mutual relationship between the two.

In contrast, Nigerian is yet to evolve an institutionalised commitment to development; hence, the lesser success at directing resources to where it is more useful in raising citizens' welfare. Instead, most resources are squandered through a culture of wasteful spending and corruption. In the case of the latter, popular observation has it that current administration has institutionalised corruption to a height that has never been achieved. Other than tackling corruption, the administration condones and celebrates it. Soyombo (2014) report two cases that illustrates this point. One, President Jonathan, contrary to his promise to tackle corruption with all seriousness during his 2011 presidential campaign latter truncated his promises by trivialising the spate of corruption in Nigeria during a presidential media chat in May 2014. He said: "Over 70 percent of what are called corruption [cases], even by EFCC and other anti-corruption agencies, is not corruption, but common stealing" (Soyombo, 2014). The implication is that common stealing is condoned while resources meant for development is siphoned away. In another case, a well renowned convicted corrupt ex-governor, Alamieyeseigha, who among other things, carted away US\$1.56million public fund to London during his term of office was granted a state pardon in March 2013 by Jonathan. Such a public celebration indeed, berates a government's commitment to citizenry. These institutional differences between Malaysia and Nigeria also explains the relative differences with regard to the extent with which each state has utilised the other two capitals to further development.

### **6.2.2 Natural Capital Approach**

"Natural capital" approach essentially belongs to the "resource developmental state" (RDS) (Joshi, 2012, p. 365). As an identifiable non-Western pathway to the MDGs, Joshi argues that RDS take on the initiative to strategically develop "initial comparative advantage in the extraction, processing, and/or sale of "natural capital" (p. 365). This include metals, minerals and fossil fuels, but also arable land, water, animals, and plants (Lovins *et al.*, 1999). Note that most historical early developmental states, especially in the West, thrived using this initiative – including those who sought these resources outside their nations by forcefully allotting to themselves foreign land in what is now known as colonialism. Thus, this is no new approach to development. Natural capital has played important role alongside the physical and human capital for economic development (Auty, 2000). But Joshi's focus was on those states that take interest in the vast resources within their territories, and who used the wealth created from their

sales to engineer the transformation of their society. An exemplar in his study is Kuwait (Joshi, 2012, p. 366). Also, it is argued here that evidence presented in the previous chapters (particularly, three and four) demonstrates that Malaysia equally followed this pathway to development.

Certainly, Malaysia qualifies as a richly endowed resource country in every sense of the word. Leamer (1999, p. 33) classified it as one with land profusion relative to its population. This resource alone leaves ample room for agricultural exploitation for the country. Malaysia's agricultural land<sup>55</sup> per square kilometers is 78,700 (World Bank, 2014). Besides, it has been shown that Malaysia's economy from pre-independence era was largely built around exportation of minerals (tin, rubber, oil and gas) and later on, agro-products (rubber, palm oil and timber) (Kuruvilla, 1995). Amongst these, Malaysia's vast arable land is her greatest endowments. Even before independence, the colonial powers had understood the potential the resource holds and consequently developed an agro-based export economy as far back as 1920s (Drabble, 2000). Notable initiative was the development of rubber plantation that fed Western automobile industries of the time. Combined with the mining of tin, by 1929, British Malaya attained the highest per capita GDP in the whole of Asia (p. 113).

Arguably, the experience from these practices gave the independent Malaysia a head-start in terms of combining agriculture with extraction industry. The early days of independence saw a renewed successful programme of replanting rubber estates and smallholdings with more fruitful varieties of rubber trees. Agro-economy further went through diversification with the introduction of oil palm such that by 1970s, Malaysia had become the world's largest producer of oil palm (Drabble, 2000). Together with the substantial development of the oil and gas sectors in the period of 1960s to 1970s the natural capital provided momentum for the Malaysian growth. The World Bank (1992, p. 327) report which singled out prioritization of agriculture, open economy that is export oriented and diversification from dependency on the primary commodity of rubber and tin to palm oil, logs, petroleum and gas, cocoa and manufactured goods is indicative of this conclusion.

But like other resource-endowed countries where government is heavily involved in the business of natural capital extraction, Malaysian post-independence government recorded mismanagement of public enterprises especially during the period leading up to the 1980s were

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<sup>55</sup> This is the share of land area that is arable, under permanent crops, and under permanent pastures.

NEP was prime. The capital control engineered by NEP inadvertently created Malay rentier class with political ties. Even non-Bumiputera entrepreneurs who did not dabble directly in politics used close relationship with Malaysian government figures for critical business favour (White, 2004, p. 396). However, Malaysia's capital cronyism did not smear government's effort on development. Rather, the government re-invested the proceeds from the natural extractions in the development of the physical and human capital (Drabble, 2000).

In general, Barbier (2003) argued that Malaysia's success so far counts in her ability to balance primary exports with rapid expansion of labour-intensive manufactures such that by late 1980s, Malaysia had joined the league of countries that export high-technology. Statistics available from World Bank WDI (2014) shows that by 1988, the exports of high-technology percentage of manufactured exports reached 40.6%, and between 1988 and 2007 it averaged 56.5%.

Nigeria's experience in exploiting her natural capital as a means to socio-economic transformation presents a paradox. Like Malaysia, the country is equally rich in natural resource, first among which is land (Nigeria remarkably differs from Malaysia in this aspect given Nigeria's agricultural land (762000 sq.km) share relative to her population<sup>56</sup>). Aside this, there are minerals such as oil and gas, tin, columbites, coal, ore etc. Numerous studies have looked at the relationship between Nigeria's developmental trends and her natural resource appropriation (Auty & Gelb, 2001; Odularu, 2008). Earlier analysis (chapter four and five) also described the relationship as largely unresponsive in relation to the living standard of Nigerians.

Until recently, Nigeria seemed to have been trapped in a false hope that the presence of mineral resources (precisely oil) is enough to generate wealth and turn the country's misery to a bliss. Kapuscinski, a Polish journalist, once described this pseudo-hope:

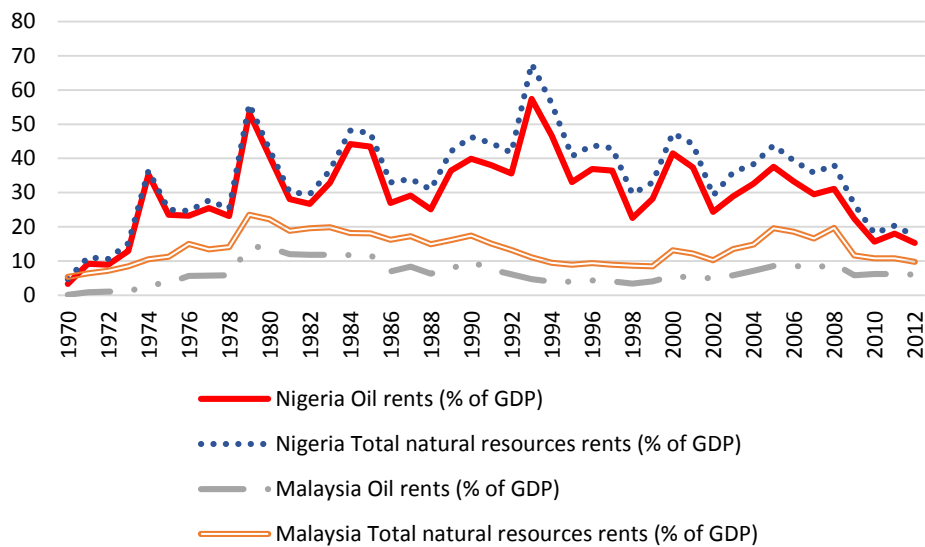
“Oil creates the illusion... of a completely changed life, life without work, life for free ... The concept of oil expresses perfectly the eternal human dream of wealth achieved through lucky accident ... In this sense oil is a fairy tale and like every fairy tale a bit of lie” (cited in Watts , 2010, p. 51).

Armed with this false believe, the emergence of oil exploration in Nigeria in the 1970s characteristically dethroned other sector of the country's economy and became dominant.

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<sup>56</sup> Data for 2011 showed that while arable land (hectares per person) for Nigeria is 0.219254, Malaysia's is 0.062589 (WDI, 2014)

**Fig. 6.2: Trends in natural capital (% of GDP), Nigeria and Malaysia, 1970-2012**



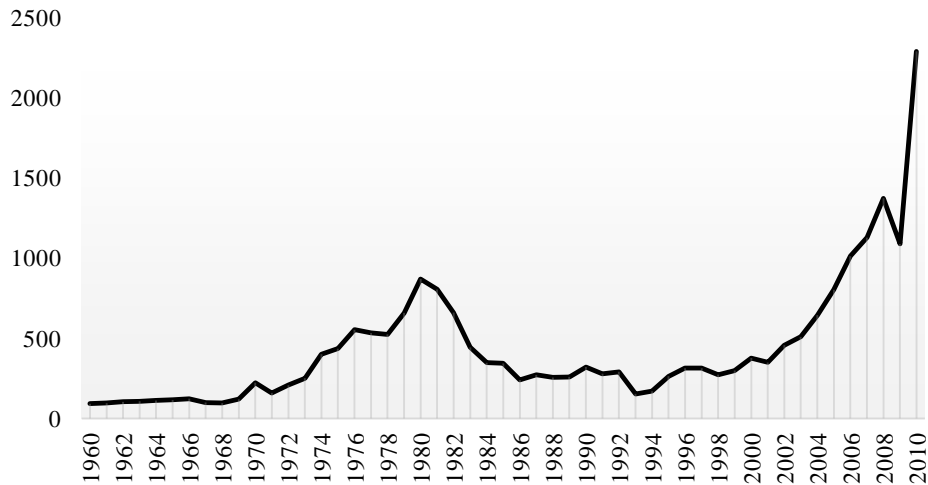
Source: World Bank, WDI (2014)

Figure 6.2 shows this trend. With a gradual start in 1970, the percentage of oil rents to Nigeria's GDP kept rising and was for the most part in par with the total natural resources rents. Especially with the period leading to 1986 and in the early 2000, the difference between total natural rents and oil rents was minimal. In contrast, Malaysia's trend shows a clear distinction between the two rents with oil being significantly lower than the total resource rents. For Nigeria, the position had remained till recently. And even as the non-oil sector contribution to the country's GDP rises, the oil-sector's position still remain vital in Nigeria's economy<sup>57</sup>.

The incongruity spoken of earlier is that despite the huge revenue accrued from the exploration of resources in Nigeria for over four decades, the citizenry's living standard have not improved significantly over the years, nor have the country developed a competitive edge in the natural sectors in general or other sectors of the economy. As figure 6.3 indicates, the country's GDP per capita which is suggestive of per head income have only started to rise significantly in this millennium (with the exception of the peak of 1980 which had GDP per capita of US\$87.1.15, current rate).

<sup>57</sup> Evidence still suggests that Nigerian economy is 95% dependent on oil for its foreign exchange earnings, and 85% dependent for revenue (*Guardian*, Oct. 13, 2014).

**Fig. 6.3: GDP per capita (current US\$):  
Nigeria, 1960-2010**

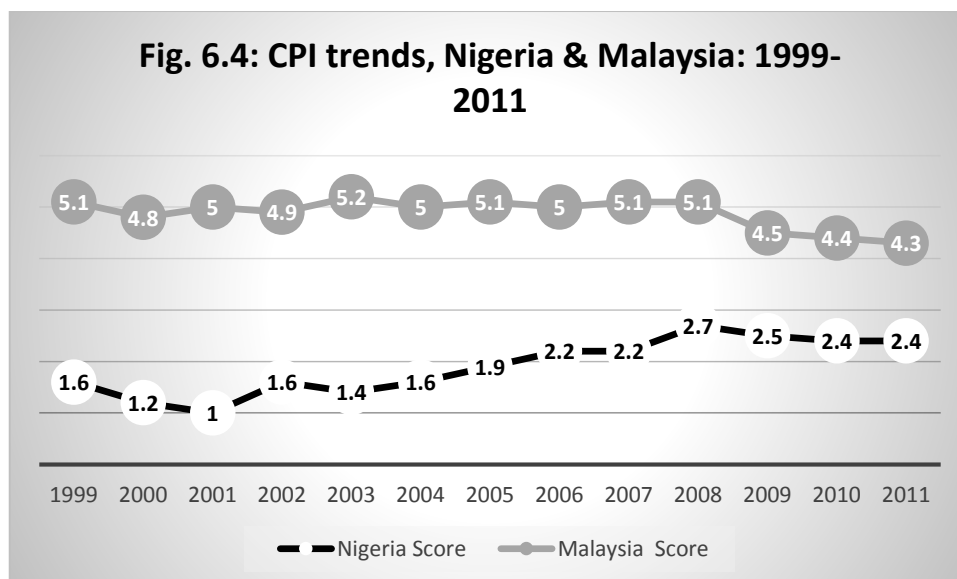


*Source:* World Bank, WDI (2014)

What the foregoing suggest is that resource capital can only yield positive results on development when the proceeds from it are effectively reinvestment in pro-growth sectors of the economy (physical, human and social capitals). In the case of Nigeria, resource curse theory has offered more explanation as to why this has not happened. For instance, Watts (2010, p. 52) argued that dependence on resources (at least up to the point where 26% of GDP is dependent on resource extraction) encourages extortion and looting through resource predation<sup>58</sup>. For Nigeria, the contribution of total natural resources to GDP went as high as 67.69% in 1993, and oil rent alone was 57.38% of GDP same year (fig. 6.3). In a similar argument, Auty and Gelb (2000, p. 1) submits that natural “resource-abundance tends to undermine investment efficiency whereas a resource-poor endowment places a premium on efficiency”. What happens in the later economies is that competitions for rents create factional and predatory conditions through which the rents are distributed in a way that distort the economy. The rare presence of rents in resource-poor states disposes citizens to be less tolerant towards inequitable wealth distribution and resource misallocation; hence, engendering a premium on effective investment.

<sup>58</sup> One need to be cautious in assenting to this argument for its presumption about predation-proneness for all resource rich countries. The empirical verifiability of such claim is problematic.





*Source:* Transparency International (various years).

Prevalence of corruption in Nigeria clearly indicates inefficiency in the management of natural resources. Undoubtedly, corruption is prevalent in Nigeria, and it is endemic in the society (Obuah, 2010; Smith, 2010a). However, its magnitude in the public sphere (Oladipupo & Ibadin, 2014) arguably forebodes reeks in the public domain. Figure 6.4 demonstrates the pattern of Nigeria’s scores in the CPI<sup>59</sup> of TI between 1999 and 2011. Malaysia’s scores stands stable with few rises and fall until the decline in 2009 to 4.5. This score has however risen again to 49 (approximating to pre-2012 measurement = 4.9) and is currently 50. At the regional level, Malaysia’s score have been consistently above regional average (43 for 2014), and her rank is often within the first ten. In contrasts, Nigeria’s score has been below 2 points until 2006. It latter rose to a peak of 2.47 in 2008 but fell to 2.4 by 2010. The year 2013’s score of 25 (2.5) reversed the gains attained in 2012 (27 or 2.7) score. This is particularly worrisome given that Nigeria is way below regional average score of 33 and ranks 25 out of 48 African countries (TI, 2014)<sup>60</sup>. Her global rank has remained in the bottom red (144/177). This is an indication that despite Nigeria’s effort to fight corruption, it has remained a threat to the nation’s development. Thus, any effort to address the question of development in the country cannot evade confronting issues of corruption.

Another development miscalculation by Nigeria concerns the prioritisation of oil resources over other natural resources particularly, the land and the potentials it holds for agricultural

<sup>59</sup> CPI ranks countries and territories based on the level of the perception of public sector corruption from the scale of 0-100 (was 0-10 pre-2011). High perception is associated with 0 and 100 as no corruption.

<sup>60</sup> Most of her rivals are far ahead: Ghana (46), Kenya (27), South Africa (42) and Botswana 64 points. However, it remains embarrassing that percentage of African countries that scored below 50 is 90%.

activities. While signs continually points out that agricultural sector hosts majority of Nigerians and provides both employment and income opportunities for the larger group, government negligence of the sector over the years is greatly pronounced. Tersoo (2014) has argued for the potentials the sector holds in terms of socio-economic transformation of the majority of the Nigerian poor leaving in the rural area. But due to “poor policy articulations, shortage of working capital, poor infrastructure, lack of ideology”, and other things (Tersoo, 2014, p. 26), they remain largely untapped over the years. The exception is the last two years in which Johnathan’s presidency launched the Agricultural Transformation Agenda (ATA).

Considering the foregoing, it is of imperative urgency for Nigerian state to reorient the economy towards greater diversification. On this note, the effort of the recent governments (beginning with Obasanjo’s tenure) have tailed this way but with much slower pace. However, the current situation surrounding international oil price and the panic it is creating within Nigeria (Okere, 2014) indicates why it is very necessary to accelerate the pace of diversification. The declining oil price in the current year is already affecting government’s 2014 budget implementation. Dr. Ngozi Okonjo-Iweala, the Finance Minister/Coordinating Minister for the Economy, expressed this fears in Abuja in her appearance before Joint Senate Committee on Finance and National Planning in the month of October 2014. She explained that due to pressure from the three tiers of government on crude rents allocation, the framework built to guard against any Dutch-diseases has been affected. The safety net, Excess Crude Account, is meant to “cushion the effects of harsh economic climate on the citizenry” (Aborisade, 2014). The mechanism was instrumental in stabilising Nigeria’s economy during the oil crisis of 2008 that saw oil price plummeting to \$38 and \$40 per barrel. But due to excessive withdrawer, the account went beyond IMF benchmark of \$6 billion to \$2 billion last year but was latter built to its current value of \$4.1 billion (2014). Note that the foregoing reflects a culture that prioritises “sharing of national cake” with little effort done to grow the cake as problematic. Thus, argument for diversification essentially, is a call to rethink this culture within government agencies and the larger citizenry. To compound issues, the mode in which this enigmatic sharing has been conducted over the years pay little attention to equity, and this have strained the social system of Nigeria.

### **6.2.3. Social Capital Approach**

The last point hinted in the previous subsection bears on the need to invest in social capital as a pathway to development. Catching-up on development requires transforming a country’s social capabilities. One of these is “social capital” understood as including institutions,

interpersonal trust, national/social cohesion, norms of civic co-operation, and associational activities (Abramovitz, 1995; Hanson & Henrekson, 1997; Mkandawire, 2001a, p. 7). For Joshi (2012, p. 369), social capital references the bond of cohesion, social trust and solidarity among citizenry as factors of development. These social artefacts, like human and natural capital plays vital role in productivity. Coleman (1988, pp. 100-101) emphasised this point arguing that a society where extensive trustworthiness and trust exist facilitates cooperation needed for productive activities. An important ingredients of social capital is sharing in collective prosperity (Joshi, 2012). Thus, a social capital developmental state places premium on equity as a vital instruments of nation-building. The emphasis here is on tolerance, inclusion and trust. This egalitarian model goes beyond income distribution to include goods and services provisions, and speaks to issues of participation.

Costa Rica's elaborate and participatory governance system of democracy, effective social welfare and less poverty rate alongside the acclaimed happiness and trust amongst citizenry made the country a model in Joshi's (2012) analysis. For both Malaysia and Nigeria, this pathway is of paramount importance given the plurality of their societies. It is evident from the analyses in the last three chapters that they both did not have the initial advantage given the historical colonial experiences that fused discrete political units to form the two countries. However, both countries have made considerable efforts to stay, albeit not in uniform manner.

In Malaysia, effort to allay social instability received institutional backings as the state prioritised nation-building with a focus on equity after the race-riots. Institutionalising growth with equity as a developmental framework helped Malaysian government to receive acceptance and legitimacy from the citizens. The government created the perception that the issue was crucially important, and this fostered cooperation from the society (Salleh & Meyanathan, 1993). This has helped the nation to enjoy political stability over the years (Salleh & Meyanathan 1993, p. 48). The government was able to prioritize equity alongside economic growth because it understands that economic growth is a means to social enrichment rather than as an end itself. Discussing the details of how this was carried out here would amount to repetition. Instead, the remaining discussion focuses on Nigeria's experience with a view to examining ways in which social capital can be prioritised as a pathway to development.

In Nigeria, social policy has been treated with minimal attention by government since the reformism wave of 1980s. But as Mkandawire, (2001a, p. 1) cautions, “social policy<sup>61</sup> must be designed not only residually, to cater for social casualties, but also integrated as a central component of policies, to ensure the wherewithal for their sustainability”. Other than paying attention to this, Nigerian state buy wholeheartedly into *laissez faire* reforms as demonstrated by its policies since the 1980s where government continue to neglect the social security of the citizenry. UNDP (1990) warning on this is instructive: “free market mechanisms may be vital for allocative efficiency, but they do not ensure distributive justice”. Consequently, policy actions are important to transfer income and other economic opportunities to the very poor.

The pursuit of growth with no recourse to equity is redolent of neoliberal ideology. According to Emma Rothschild (1996), this view which is inimical to classical wisdom of upon which enlightenment revolutionary growth thrived thinks of social security as “a form of luxury, to be promoted only in countries which are already rich”. But the European nations were built upon a rather differently thinking, namely, “that political liberty, and the social integration of the poor, were [are] causes (as well consequences) of economic development” (Rothschild, 1996, p. 22).

Neoliberals construe social policy as essentially obstructive to growth precisely because they postulate development process to be “equity-efficiency” or “equity-growth” trade-offs (Mkandawire, 2001a, p 2). But this view is wrong because it takes development process to be linear and hence, underestimates the returns on investment in social services like health and education (UNDP, 1990, p. 4). This is what Kuznet’s hypothesis which has been voraciously adopted by neoliberal economics advocates: “income inequality first increases with economic growth, but later decreases as societies become more developed” (Mkandawire, 2001b, pp. 10-11). But given the correlations between social welfare and economic growth, such linear model is detrimental to long-term development. Thus, studies now demonstrates that countries which employ wide range of social policies to affect education, health and equity eventually enjoy higher rates of growth coupled with social development (Glaeser *et al.*, 2002; Stewart *et al.*, 2000). The foregoing then considers investing in social capital as an important means to development.

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<sup>61</sup> He considered it as collective interventions targeted to impact on social welfare, social institutions and social relations.

**Table 6.4: Capital Expenditure performance of MDAs, 2012 (N Billion)**

MDAs	2012 Appropriated (Jan-Dec)	2012 Actual Releases (Jan-Dec)	% Released	Amount Cashed Back	MDAs Balance @ Dec. 31st, 2012	Amount Utilised	% Utilised
Presidency	15.66	13.57	86.7	12.02	0.29	11.73	74.9
SGF	32.73	21.82	66.7	16.23	5.56	10.67	32.6
Youth Development	7.15	4.35	60.8	3.33	0.36	3.32	46.4
Agriculture	48.19	32.47	67.4	26.4	0.25	26.14	54.2
water Resources	79.33	55.56	70.0	39.76	0.54	39.22	49.4
Defence	45.44	37.49	82.5	37.49	3.16	34.33	75.5
Education	66.83	47.59	71.2	36.46	1.62	34.83	52.1
Health	60.95	45	73.8	37.17	3.49	33.68	55.3
Power	75.49	52.03	68.9	41.1	1.55	39.55	52.4
Works	159.46	125.57	78.7	125.43	14.08	125.29	99.8
Transport	46.86	31.51	67.2	26.94	2.92	24.02	51.5
Mines & Steel	3.17	1.98	62.5	1.5	0.37	1.47	46.4
Aviation	43.16	33.1	76.7	31.01	0.59	30.95	71.7
FCTA	46.26	35.53	76.8	33.37	0.14	33.36	72.1
Foreign Affairs	7.45	5.99	80.4	5.28	0.43	5.23	70.2
Interior	7.56	5.12	67.7	4.21	0.1	4.2	55.5
Petroleum	8.13	5.29	65.1	3.98	2.25	1.73	76.9
Science & Tech.	27.31	18.57	67.9	13.15	0.76	13.07	47.9
Others	642.71	320.19	49.8	245.17	14.54	213.44	33.2
Grand Total	1,345.19	1,017	75.6	739.3	53.0	686.3	51.0

*Source:* the Office of the Accountant General of the Federation (OAGF)(Ogujiuba & Ehigiamusoe, 2014)

Table 6.4 profiles Federal Government of Nigeria's 2012 fiscal year capital budget implementation. The aim is to demonstrate the nation's priorities as well as its commitment to issues of service delivery which is reflective in the budget performance. From the table, it is evident that the total capital released was only 75.6% of the total capital budget appropriated in 2012. Out of this, only 51% implementation was achieved while 25% of capital budget expenditures were not released at the end of the fiscal year. This means that 49% (almost half) of the 2012 national capital budget for the year was not implemented as of December 2012; a clear sign of appalling performance. According to Ogujiuba and Ehigiamusoe (2014), this was not different from others years. Since 1999 there has been alarming gap between capital budget presentations and implementations with the latter varying from 50% in 2002 and 2003, 52% in 2004 and 2005, 43.9% in 2008, and 54% in 2009 (Ogujiuba & Ehigiamusoe, 2014, p. 300).

Furthermore, the traditional pattern of less than 30% allocation for capital projects cannot truly support rapid infrastructural improvement and other services that border on both human and

social capital investment (Ogujiuba & Ehigiamusoe, 2014, p. 304) for a country of over 170 million people. For instance, from the 2012 budget of N4.749 trillion aggregate expenditure, 72% was proposed for recurrent while 28% was for capital. By the end of the year, revenue and recurrent expenditure performance were 96.1% and 105.3% respectively (pp. 307-8). This is in contrast to the capital expenditures' underperformance. Also, the table indicates poor allocation to key areas were (education, health, youth development and agriculture) attention should be given if government policies is to be truly pro-poor and –developmental. This is in contrast to Malaysia whose public expenditure on education averaged over 20% of total public expenditure in the four decades from 1970 (UNCT/EPU, 2010, p. 31).

### **6.3. Conclusion**

This chapter illustrates that the advocacy for sidelining or annihilating the state in relation to economic performance that is reminiscent of neoliberal economics is detrimental to meeting development needs today. A gratifying alternative to this approach that have been explored is DS. Its mix stance predisposes states to have the leverage to strategies in their response to both domestic and external forces of change, and to genuinely keep in focus the development needs of the polis. With a development-oriented state and leadership, effective administration and in partnership with the society, the state can harness resources needed to transform socio-economic landscapes of its territory.

The discussion focused on Nigeria where it argued that the state has been less successful in facilitating development of the country. Particularly, with regard to why the over-a-decade long growth has not trickled down to ordinary Nigeria, the chapter argues that the failure arises from Nigeria's whole-hearted adoption of neoliberal economic model from the 1980s onward. This policy stance has alienated the state from the society (capital and civil) through the neglect of partnership with the society which also entails failure to provide social services. As an alternative, a developmental state paradigm was proposed. The model argued that for developmental pace to pick up in Nigeria, the state is required to be re-oriented towards development by taking pride in the provision of visionary leadership, competent administration, performing governance at all levels and strategic development of its capitals (human, natural and social). The direction for the next chapter which concludes this study focuses on making recommendations to that effect. It would also draw closure to the general argument of the study.

# CHAPTER SEVEN

## Summary, Recommendation and Conclusion

*“Men make history and not the other way around. In periods where there is no leadership, society stands still. Progress occurs when courageous, skilful leaders seize the opportunity to change things for the better.”*

(Harry S. Truman <sup>62</sup>)

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<sup>62</sup> Truman (1884-1972) was the 33<sup>rd</sup> President of US (1945-1953).

## **7.0. Introduction**

This concluding chapter offers summary of key findings of the research and recommendations to that effect. It is divided into five sections. The next section gives the main claims of the study. Section 6.3 articulates what can be done to facilitate development in Nigeria. Section 6.4 x-rays the limitations of the study while 6.4 offers guides for future research, and 6.5 presents general conclusion. In all, Truman's quote above indicates the essence of this chapter: that peoples are the principal agents of social transformations.

### **7.1. Main Claims from the Study**

Discourse on the relevance of developmental state paradigm to contemporary issues of development remains crucial. This is a central theoretical claim of this study. DS offers compelling explanations on the challenges that developing nations face as they strive to advance socio-economic development in their territories. The argument is pitched on the general debate on the relationship between the state and society. One theoretical approach to the debate that has gained increasing dominance since the 1980s is neoliberal approach. This orthodox perspective put forwarded veraciously by the Bretton Woods institutions broadly advocates that at most, the state should have little role in the economy. In contrast, statism opines that strong state involvement is good for development. On the statist's position, in so far as it means state domination of the society (understood broadly); it is unappealing to believe that such arrangement automatically can yield national power or fruitful development process. In some ways, it is prone to inefficiency and over suffocation of the private sector and the society at large. Likewise, when the state is obliterated or relegated to the background during the process of development, the ineffectiveness of the market to efficiently distribute growths across sectors of the society becomes too open; and this poses greater challenge to long-term development. Even if the argument for a minimalist state which constitutes only getting the price correct is granted, it is not clear how politics can be separated from policy.

Alternatively, the position maintained here is that development requires active involvement of diverse economic actors, the state, the private sector and the civil society. In this sense, the key concept is cooperation. In the language of DS paradigm, it is called state autonomy and embeddedness. While the state is required to provide facilitating roles for the interactions amongst the diverse actors, the wisdom is that overcrowding the dynamism or minimal involvement has negative trade-offs. This is because development is a collective goal, and the conflicts arising during the process of actualising development can best be approached by the



collective action of the constituents making up that society. Through the discourse on state autonomy and embeddedness, DS charts the middle ground between statist and neoliberal approach to development. Instead of statist's argument for a stronger and over-controlling state as suitable for the development or the reversal which the orthodoxy postulates, DS paradigm suggests a middle course.

The two cases examined in this study suggest that Doner's (1992) "collective action dilemmas" is central to problems in development process. The dilemmas are evident in the history of political economy of both Malaysia and Nigeria. It concerns issues of representational powers (economic, political, religious and cultural) and allocation of resources. Malaysian has somewhat helped to resolve the collective action dilemmas through the institutional capacity of the state that provided leading role in creating cooperative society that drives development. The study showed that the 1969 race-riots was a decisive period that stimulated this approach. The state was able to provide a coalition around national developmental-ideology namely, "growth with equity", as instrumental to nation-building. From the elected and appointed officials championing the course, the private and the civil societies were co-opted to embrace the course as beneficial for all. Consequently, institutions gradually evolved to drive the goal. An important mark on this process is the acceptance of the importance of productivity. This requires effective channelling of scarce resources in capitals that drives growth and development. Particularly, it encourages that growing wealth to be shared is more important than merely sharing the piece that exists today. This explains why Malaysia relaxed some of its allocative approaches of NEP's era to a more productivity driven approach during post-NEP era.

Similarly, Nigeria's political economy history indicates collective action dilemmas. The dilemmas is made acute by the Nigerian pluralistic polity. From the onset, the struggle between constituents of the state has been over representation and allocation. The failure to handle this conflict appropriately explains the brutal Nigerian Civil War, the aftermath of which has left many scars than heals. To make matters worse, the cursory profile presented in the study demonstrated that the ways in which the political elites attempted to resolve the conflict especially after the war skewed powers to the state (the federal) over and above the peripheries, including the private sectors and the civil societies. Resulting from this is an evolution of an institutional state that prices representation as a means to allocation over and above productivity. The dominance of oil sectors over other economic activities for the larger part of Nigeria's history is illustrative of this claim. Little effort was put in place to diversify the

economy through effective re-investment of gigantic accumulated oil rents into productive units like the human capital, agriculture and the manufacturing sectors. Instead, access to the state which constitutes representation was taken as a means to allocate the rents to selected few. To engender this culture of sharing national cake other than growing the cake, time and again, calls are made to further fragment the state into units in order to allow more hands access the state coffers. Inadvertently, this approach has not helped in development process within the country. On the contrary, it has further disenfranchised most units making up the federation, the consequent of which are the many social crisis affecting various parts of Nigeria in the recent years.

This study offers an alternative to the hitherto approaches to development in Nigerian state. The approach underpinned by DS, presents Malaysia's developmental trajectory as a learning experience. It argues that Nigeria's state should adopt a mixed approach to economy. In this variant, the state must see both the private sector and the civil society as partners in the development process and should play a facilitating role. It is in this light that the following recommendations are offered to re-configure the Nigerian state to suit the developmental needs of its contemporary society.

## **7.2. Recommendations**

### **7.2.1. Re-Orienting Nigerian State towards Development**

Actualising development requires a clearly carved out developmental visions (economic, political, cultural and social). This includes the goals as well as the pathways to development. In the case of national development, such a vision must be broad and all-encompassing, promising inclusivity rather than separatist agenda. This tasks is squarely the state's as it is unequivocally the most representative of the society and as such, possesses the capacity to garner collective support for developmental course. The Nigerian case presented in this study has shown little nationalists agenda but more of regionalist, tribalist, ethnicist, and religious agendas. As DS theory explains, this is a function of the political elites. National developmental agenda requires elite-coalition as seen in Malaysia. In Nigeria, such coalition has been largely absent, thanks to personal and regional/ethno-linguistic aggrandise interests. Amuwo (2009, p. 44) offers a more categorical form of this claim; that "virtually all Nigeria's post-colonial governments to date [2009] have been thrust to power without a concise national ideology, let alone a popular and liberating one". Consequently, this study suggests that Nigeria's developmental quest requires national discourse that prioritises national development as

broadly conceived. This can only be engineered by nationalist elites. Needless to say that the emergence of such figures in Nigeria is long overdue given the series of political and economic crisis it has endured in history<sup>63</sup>. Hence, in the context of the current political crises across various sections of the country, leadership roles should be given to people based on ideological soundness and performance capability rather than mere regional and ethno-linguistic ties criteria.

This points is discerning with regard to the 2015 election which is posed to choose new ruling elites. The politically charged atmosphere within the country seems to pay little attention to this point as campaigns revolve around figures and parties with rare reference to ideologies. Obasanjo's candid advice to aspirants recently illustrates this claim: "*It will be insensitive to the point of absurdity for any leader or any political party to be toying with Muslim-Muslim or Christian-Christian ticket*" (Gyamfi, 2014). This religious sentiment is one side of the perennial separatist polity of Nigeria. Others bother on political zoning.

No doubt, there is wisdom in the federal character principle which the above concerns reflects. Domination of one section over another ought not to be allowed. But charging the nation's political landscape with only divisional parlance as viciously discussed today, poses challenge to nation-building is counter-productive. The fact that issues of development are not given equal weight (even when it deserves more) in the discourse is appalling. Rather than focusing on representations, a shift to productivity would re-direct national energy towards electing transformative leaders who have the capacity to play national rather than sectional politics, and can unleash the potentials lying untapped in Nigeria's vast resources for national development.

### **7.2.2. Commitment to Pro-Growth and –Development**

Chapter seven broadly outlined three approaches to development: human capital, resource capital and social capital. It is emphasised here that Nigeria can fair well using any or the combinations of all the approach given that the three mediums are within her reach. However, from the study, it is evident that the country's performance in the exploitation of natural resource as a means to growth and development has been less fruitful. Particularly, Nigeria has little to show for her exploitation of oil and gas resource over the past four decades. The reasons have been overstretched in many lines of the study; hence, only few is highlighted here.

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<sup>63</sup> Recall that crisis, it was argued, propels social transformation; it stimulates societies to recognise what is wrong in their social arrangement and draws them to change.

A crucial point to bear in mind is that Nigeria's resource rent distribution has distorted the country's economic performance. There is the direct form in which this was done and the other being indirect. The direct form which allocates huge resources to the centre de-empowered the peripheries that are nevertheless constitutionally charged to carry out service deliveries like health, education, water, and housing provisions that have great import for growth and development. Consequently, the peripheries (state and LGAs) are incapacitated to drive development. It make sense then, to submit that a restructuring of Nigeria's federalism to cater for financial autonomy of the peripheries is crucial to revitalising the natural resource exploitation as a viable means to growth and development. This would discourage the fierce competition over access to power at the centre and would greatly reduce rent seeking behaviours associated with concentrated powers.

The second point is on the historical tendency of the Nigerian government to over-spend on recurrent rather than on capital expenditures. This has a direct link to the size of rents it generates and the resultant expansion of the state functionaries. A government that takes development priority seriously would seek to increase its capital spending that adds more values to her economy. Other than extending the public sector to create more jobs for instance, such over-head spending can be invested in human capital development that is prone to entrepreneurial revolution in the country.

Lastly, the indirect form which are less stressed in papers are the non-transparent means through which natural resource rents are siphoned by individuals and groups. Such syndicates and their openings have to be closed if re-investment of Nigerian resource rents are to matter in the development process.

More importantly, to engender sustainability, Nigeria's natural resource development has to diversify beyond the oil-economy greatly. Recent GDP rebase exercise has shown that this has been happening in the recent time. The momentum must be maintained and areas such as agro-economy and tourism should be well explored. Agricultural sector in particular holds import for pro-poor policies. Statistics explored in this study shows overwhelmingly that majority of poor Nigerians live in the rural areas where agricultural activities are rife. Also, there is evidence that this is where poverty is chronic. Hence, policy target in this sector is also a target on poverty reduction as much as it supports growth<sup>64</sup>. In Malaysia, this point was long

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<sup>64</sup> Another point to bear in mind is the importance of producing adequate food to support the ever-growing Nigeria's population without straining its balance of payment.

understood. Henderson, et al. (2002, p. 7) report on this that capital-efficient modern agricultural techniques, alongside marketing, credit, financial and technical assistance designed to improve agricultural productivity and thus increase the income of the poor was promoted in Malaysia. In similar manner Fourie (2013, p. 3) studied South African growth process and argued that the excessive belief on GDP growth which makes policymakers to over-support the formal sector is erroneous because “growth within the formal sector alone is unlikely to absorb sufficient numbers of people to reduce unemployment rates significantly”.

This applies to Nigeria’s recent impressive growth rate which has not helped to reduce unemployment but have seen it grow steadily since 2000. The reason is that the formal sector can hardly absorb all available labour which include people from subsistence segment and the informal economy. In view of this, it is suggested here that the agricultural sector development is crucial to sustaining Nigeria’s growth and holds the capacity to drive its socio-economic development.

The emergence of Dr. Akinwumi Adesina as the Minister of Agriculture and Rural Development in 2011 has directed government interest in this direction. Through the Agricultural Transformation Agenda (ATA) of the presidency, the ministry has fared well to improve farmers’ productivity across selected sections in the country (the major benefactors at the moment are mostly in the North). Giving account recently on his stewardship at a Public Affairs Forum of the presidency, the Minister recounts that 15 million farmers (10.3 million of them are Northerners) have been registered under the scheme and that 92% of them have been able to access fertilizers and seeds for planting (Falaju, 2014). This has helped to increase agricultural productivity in the country.

Human resource development is another potential ready to be unlocked in Nigeria’s developmentalism. The statistics presented on Nigerian demography support this claim; Nigerian political economy is endowed with labour-friendly demography. But this potential has to be realised through strategic investment in human resource development. This study highlights the importance of education in this respect. However, evidence suggests that Nigeria’s human development effort through education so far has been on mass production with little emphasis on quality. Hence, it is no surprise that Academic Staff Union of Universities (ASUU) and other stakeholders in the Nigerian universities are calling for a state of emergency to be declared in the Nigerian education system. In a communique they issued at the end of a weeklong National Education Summit held in Abuja, they lamented that the system

suffers from “underfunding, bad leadership, and infrastructural decay, poor conditions of learning and service, promotion of mediocrity, shortage of personnel (academic, technical and administrative) and entrenchment of orthodoxy, parochialism and chauvinism” (Lawal, 2014). These issues need to be addressed by the government. For instance, the persistent low budget allocation to education which has never been above 10% of government capital expenditure speaks ill of a state interested in taking the issues of development seriously. Ways to standardise and improve service delivery across all sectors of the education system must be sought so as to reposition Nigeria’s education system within the perspective of national development.

The third pathway, and a very relevant one, for Nigeria’s development process is investment in social capital understood to mean norms and grids that help people act cooperatively. Social capital as social cohesion is a good in itself but a crucial factor in productivity. Where there are strife and division, cooperation and harmony that are very important for productivity is greatly affected. Hence, Nigerian developmentalism must enlist social capital development as asset. An important means to endear people to national image is through commitment to social service provision.

As argued in the preceding chapter, Nigeria’s political economy indicates a shifting focus from this all too important government role to a wholehearted adoption of market reforms that began in the 1980s. Unfortunately, while privatisation of public goods like education, health and electricity has been on the increase in Nigeria, little improvement has been seen in terms of service delivery in these sectors. For instance, in the education sector, deregulation has facilitated proliferation of institutions devoid of quality which is significantly impacting on the ability of the sector to contribute to the nation’s growth and development. A clear reasoning mistake on the Nigerian policymakers is the thinking that growth and social-welfare are inimical. This study debunks this claim (see chapter six) and argues that positive correlations exist between social welfare and economic growth; hence, government hitherto approach of linear model is detrimental to long term development.

Moreover, social cohesion as a capital entails equitable distribution of public goods in an inclusive manner. This is the essence of growth with equity which has been the hallmark of Malaysian developmentalism. Where this does not happen, social crisis in the form of arms rising is inevitable as the marginalised sections may attempt to express their grievances (sometimes, through violence: e.g. militia in Niger Delta and the recent North-Eastern

uprising). Statistics presented in this study show significant disparity in development performance indicators across Nigeria's regions. The far north is greatly disadvantaged and even within regions, differences are great. To avoid the repetition of the Niger Delta militancy and the Northern terrorism, proactive action is required by the state to invest wisely in social cohesion as a viable means to sustainable growth. The current Malaysian Prime Minister Datuk Seri Najib Razak made reference to the contribution that social capital made to his country's development success at a Commonwealth Heads of Government Meeting in 2013 in Malaysia. He said: "While we believe in market economies, there is a need for the government to intervene to ensure equity and inclusiveness in development, without distorting market economic mechanisms" (Sayuthi, 2013). A crucial factor accounting for the success, according to the minister was the creation of a high level of social mobility among Malaysians through providing access to education for all. Borrowing from this experience, Nigeria would do more good if she can reduce differences in the provision of public goods (education, health, electricity, waters, etc.) across the various areas in the country.

### **7.2.3. Bureaucratic Competency, Efficiency and Productivity**

Developmental vision would remain ideological if the agents needed for both implementation and monitoring fail in their tasks. It is in this sense that bureaucratic reorientation towards competency driven by efficiency and productivity is advocated here. Chapter five highlighted some of the key reforms needed in this regard. One of them is the need for public servants to prioritise citizens' welfare. It is appalling to observe among Nigerian civil servants nonchalant attitude towards those they serve. Malaysian case exemplifies the need to see patronisers of government franchise as customers and to treat them in that respect. Other than this, the public sector needs to consider the inculcation of productivity values, streamlining regulatory procedures to reduce administrative wastages, public accountability and transparency, and networking between agencies and entrepreneurs for business friendly environment.

### **7.2.4. Active Civil Force and Development Process**

Another force to reckon with in the Nigeria's developmental project is the civil society. Recall that Evans' (2004, p. 31-39) work on "deliberative institutions" speaks to the capacity of a healthy state-society nexus as positive for development. The argument is that deliberative institutions founded on a "thick democracy" where public discussion and interchange take place have the potential for improving developmental performance. Hence, it is advocated here that Nigerian politics, which as demonstrated in the last two chapters separates the people from the government, must find a way to re-unit the two in a mutually beneficial ways. At the

moment, what is often the case in Nigeria is that the union of the two is actively pronounced during electioneering. Once election is dusted, the two go in their separate ways. The alternative institution advocated seeks to reposition the electorates in their powerful numbers as role players in the development processes in Nigeria. Like the government, the people must own up the Nigerian project and seek creative ways to contribute to its fruition. Policymakers and implementers must collaborate with the people and make them key players in the transformation of the society. Nigeria have seen too often, a top-down approach to reforms and to project execution and have also seen such policies failed. This is because there is often a mismatch between the people's aspiration and those transferred upon them from the top. Thus, Nigeria's project must encourage people's participation throughout the process of development. Aside the rich inputs this can generate, it create forums for project monitoring and evaluation, transparency and accountability. Arguably, such institutions raise the bar with respect to checks on corruption and predatory behaviours among state actors.

#### **7.2.5. Fighting Corruption**

Corruption is widely recognised as a bane on development. Make no mistake; it is present in every society including the two nations examined in this thesis. However, it must be specified that the extent of its prevalence and the resultant effect on development process is a cause for alarm in some states. Analysis on both countries, indicate that corruption tops the challenges they face. However, Siddiquee (2010) made an interesting distinctions between corruption as a fact of life and as a way of life which is of import for prioritising corruption in Nigeria. In the first case, corruption exists as an exceptions rather than as a rule. In contrast, corruption becomes a way of life "if corruption is rampant and becomes the norm rather than exception" (Siddiquee, 2010). Evidence presented in the study indicts Nigeria to fall under the latter (e.g. Nigeria's CPI of TI scores until 2006 was below 0.2 and till now has not reached 0.3. Its impact on the Nigerian project has furthered the gap between the sumptuously rich few who have access to power and the exasperatingly poor masses. Developmental schemes across regimes are siphoned to personal accounts locally and overseas while the intended benefactors remain in their sorry states. Thus, the fight against corruption in Nigeria must rise above current level. It requires genuine willingness on the leadership to face corruption squarely. Existing institutions such as EFCC should be strengthened to carry out their statutory functions, and whistle-blowing should be encouraged from the public. At the institutional level, Nigeria can learn from the Malaysia's experience in which special courts were established to handle corrupt cases. Such a development can help speed up corruption trails which tend to drag-on forever



in Nigeria. Lastly, the immunity clause attached to offices of the executives is a challenge to fighting corruption. Hence, the review of the 1999 constitution on this matter and its subsequent repeal can facilitate corruption crusade in Nigeria.

### **7.3. Limitations of the Study**

Methodologically, given that this research relies heavily on secondary data, it is understandably limited to what is given. Consequently, it faced problem of validity and reliability. On the one hand is the problem of ascertaining the degree to which data examined give valid representations of variables; and on the other hand, is the problem of determining the trustworthiness of information gathered (Onwuegbuzie & Collins, 2007, p. 298). Following Babbie and Mouton's (2001, pp. 396-397) suggestion, these problems were handled through *logical reasoning* and *replication*. In the case of reliability, caution was taken to ensure that the data sourced were from trustworthy sources. Concerning validity, care was taken not to consider variables in isolations but through consideration of their interconnectedness. This is what Babbie and Mouton (2001, p. 396) called 'interchangeability of indicators'. By considering independent indicators together, a wider reflection of variables was assured.

More importantly, in view of the limitations, the study's findings are suggestive and does not make any categorical conclusion on the challenges conquered or still being faced by the two countries examined. Nevertheless, the research offers insights into the dynamics that characterise both country's developmental experience and x-rayed the challenges therein. In the case of Nigeria, the suggestions offered draw from Malaysian experience, but they are contextualised for the particular needs of the country. It also needs to be reiterated that this study focused more on what was successful in Malaysia and did little on the weakness of the state. This does not mean that Malaysia's developmentalism is rosy and hitch-free. Numerous analyses on some of the weaknesses abound in literature (Freedman, 2005; Ritchie, 2005 and others). However, deliberate focus on the successes in this study was to maximise learnings from the Malaysian experience.

### **7.4. The Direction for Future Research**

There are quite a number of ways in which this research can be furthered to generate more comprehensive analysis on the general subject of investigation namely, the import of comparative study in DS for Nigeria and other developing countries (especially Africa). But only two are suggested here. The first draws from the limitation of the present study pointed out earlier. To that effect, it would be of rich value to investigate the validity of the data

explored in the research by conducting an empirical study and/or committing the research scope to a rigorous methodology to demonstrate the statistical significance of the relationships between the institutional state and the economic performance in both countries. The second suggestion concerns narrowing down the unit of analysis. The present research has as its unit of analysis the countries of Malaysia and Nigeria and their statehood. Insights remains to be generated from examining regional or state level differences across or within the countries, and the import this has for DS relevance to meeting development needs in the contemporary time is unimaginable. This is particularly relevant to Nigeria as current discourse on development is gradually highlighting the importance of the peripheral institutions as crucial role players.

### **7.5. General Conclusion**

This research appraised the connexion between the institutional state and economic performance while focusing on the countries of Malaysia and Nigeria. The largely explorative study took cue from the perennial debate on state-society nexus vis-à-vis economic performance which has two broad narratives. The neoliberal view construes the relationship to be counterproductive and pitches the failure on the tendencies of the state to get-in-the-way of market efficiency. The consequent of this position is a normative stance that the state should have at best, minimal role in the economic organisations of societies. The other side of the story is represented by statism which believes in the omniscience of the state in matters of organising the socio-economic life of the society. In light of DS studies highlighting the deficiencies in these diametrically opposed positions, an alternative explanation that find rich empirical backing from the experiences of economic growth and development in East Asia was explored. While validating that state inefficiency can hamper growth processes, these studies point out that market efficiency also often neglects the importance of equity that is relevant to development. This background provides the theoretical lens for the thesis.

Consequently, to understand the political economy of state-society nexus and the resultant economic effects, the desktop study used both thematic and simple descriptive statistical analyses, and draws from the analytical tools of developmental state theory to argue that when states take on ideological and structural development-orientation, they are better equipped to play pivotal roles in development process. This role is neither minimalistic like the orthodox view nor overcrowding like the statist position. Rather, taking a middle course, it advocates a mixture of strategies aimed at generating and redirecting economic wealth to achieve developmental strand.

The study was divided into seven chapters. The first chapter provided general introduction, pointing out directions, methodology and theoretical framework of the research. This was followed by chapter two which reviewed scholarship in the research interest. The subsequent two chapters profiled each of the countries' developmental experiences highlighting key features. Chapter five and six provided the analysis, firstly on the institutional elements of the states and secondly, on the import of the proceedings for Nigeria's developmental project. These chapters answer the three questions that this research has been concerned with:

- a. To what extent do institutional elements aid or constrain economic growth and development in Malaysia and Nigeria?
- b. What similarities and differences exist between Malaysia and Nigeria with regard to institutions as significant factors in the process of national development?
- c. What implication does the study have for discourse on development in Nigeria?

Findings from the study suggests that the relative difference between Malaysia and Nigeria's developmental trajectories – the latter is reported as having underperformed historically – can be explained in part, by the differences in their state institutional qualities that is both structural and ideological. Among them are developmental ideological-orientations, good governance, bureaucratic efficiency, state-society partnership and lesser cases of corruption. In this respect, the study recommends a repositioning of the Nigerian state to imbibe developmental features that can propel and sustain growth pace as well as hasten human development progress in Nigeria.

While the study is specifically limited to Malaysia and Nigeria, it has significance for the general discussion on the efforts of Third World countries to improve socio-economic conditions of their societies. The deduction is that for developing nations in general and African countries in particular, the pursuit of economic gains devoid of meaningful transformation of lives and societies is unsustainable at the long-run and often undesirable in the short-term. The alternative pathway is growth with equity as Malaysia approximately exemplifies. Such a feat is untenable under neoliberal or statist regimes. Like Nigeria, most developing countries have tended to follow distortedly one of the twos. But here, it is suggested that for developing states to meet the collective aspirations of citizenry, institutions like the state must be developmentally oriented. In particular, transformative leadership alongside rule of law, competent and merit-based bureaucracy, state-society (capital and civil) partnership and a democratic space for citizens' participation are requirements for a society that wills to move beyond mere accumulation of wealth to inclusive development.

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