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Structural Change, Economic Growth and Poverty in OIC countries: the case of Indonesia, Malaysia, Nigeria and Turkey[1]

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Abstract

The paper uses available data to compare and analyzes the relationships between structural change and economic growth in four OIC member countries (Indonesia, Malaysia, Nigeria and Turkey). The paper uses descriptive statistics to analyze and compare structural transformation in the study countries. It finds that Malaysia, Indonesia and Turkey succeeded achieving sustained economic growth and development because they were able to effectively transform their productive activities from low to high productivity; and diversified from monoculture to manufacturing and exports of finished products, and were thus able to significantly reduce poverty during the last three decades. The paper concludes that political stability, human development and good economic management as well as demographic change are for sustained growth, structural transformation and poverty reduction.

Keywords: Structural transformation, Economic growth, Indonesia, Malaysia, Nigeria, Turkey

1: Introduction

Most of the countries that had significant improvements in real incomes and extension improved quality of living of their citizens, accomplished them via structural transformations of their economies. Structural transformation refers to change in the dominance of the traditional sector to a more active role of the modern sectors in the productive activities of the economy[2]. In other words, it involves changing the economy from relying more on traditional (agricultural) sector to modern (industrial and services) sectors in terms of output and employment. Since economic development involves shifting resources from low to high

[1] This is a draft of the paper to be presented at the 9th International Conference on Islamic Economics and Finance, September 2013, Turkey.
2 It should be noted the two terms (structural change and structural transformation) are used synonymously in this paper. For more definitions refer to (Syrquin, 2007) and Chenery, Robinson and Syrquin (1986: 31-32).

productivity sectors, it implies that economic development is a process of structural transformation. Structural transformation is also associated with other forms of changes such as social, cultural and political transformations through changes in institutions, demography and labor migration from rural to urban areas etc. It generally involves improvements in technology and innovation, institution, human resource development and all changes that lead to increase in levels of productivity in economic activities.

The economic success of the Asian miracle economies and the emerging economies has sensitized interests of both academics and development practitioners on promoting structural transformation in developing countries. [3],[4]

Analysis of the relationships between growth and changes in economic structures can be traced back to the classical era (Lucas, 1988), however, the modern analyses of structural change started with (Fisher, 1935, 1939) and (Clark, 1940) who proposed the division of economic activities into primary, secondary, and tertiary sectors which served as major conceptual framework for quantitative structural analyses (Schmidt, 2005). Also Kuznets, (1971) proposed similar classification of the economy into agriculture, industry, and services sectors anchored with the central idea in sectoral analysis, arguing that long-run economic development is accompanied by shifts in the allocation of resources (especially labour) from primary sector (agriculture) to secondary sector (industry) and subsequently to tertiary sector (services). In essence, as the economy grows to a higher level of development, resources move from low to high productivity sectors. It also entails changes in that take place within the sectors due to technological and other improvements that happen over time. Development of the primary sector is considered central to economic development and structural

[3] Round Table on Economic Growth and Structural Change: Priorities for the Least Developed Countries, Columbia University, March 2012.
http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:23122328~menuPK:34482~pagePK:2524753~piPK:51421526~theSitePK:4607,00.html

[4] UNTCTAD (2012). Round Table 4 on Addressing Persistent and Emerging Development Challenges: An Integrated Approach to Promoting Structural Transformation. Doha, Qatar (25 April 2012).

transformation. This is because agriculture provides unique services to the society. It serves as an economic activity; a source of livelihood (providing food to the population); and as a provider of environmental services.

It should be emphasised that any disruption of the process of structural transformation can have far-reaching consequences on sustained economic growth and development, and, poverty reduction. This theory has been supported by series of empirical studies on developed and the newly industrializing economies which revealed a steady decline of the share of labour in agriculture sector, a passing increase and peak in the proportion of labour in manufacturing sector, and a consistent rise in the share of labour in services reflecting the transition from agrarian to post industrial stage (Schmidt, 2005).

This paper analyzes structural transformation, economic growth and poverty in four OIC member countries (Indonesia, Malaysia, Nigeria and Turkey); reviews policy implementation over the study period; and documents case studies on lessons leant, experiences, challenges and opportunities for other countries. The choice of these countries stems from some of their shared characteristics. One of the characteristics is that, for instance, all the four countries with the exception of Turkey are oil exporting countries and at the beginning depended on exports of agricultural commodities. Turkey on the other hand was not oil exporting country but represents an example of a country that has been able to achieved sustained growth through export drive. Furthermore, both Indonesia, Malaysia, and Nigeria are multicultural societies full of socio-political bottlenecks that could influence sustained economic growth and development. Moreover, at the beginning of the study period,1960, Turkey and Malaysia on the one hand and Indonesia and Nigeria on the other, shared very close levels of economic growth.

The paper finds that countries that succeeded in achieving sustained economic growth and development are those that were able to effectively transform their productive activities from low to high productivity; and diversify from monoculture (depending on export of a single natural resource or a number of agricultural raw materials) to manufacturing and exports of finished products. Malaysia, Indonesia and Turkey achieved sustained economic growth and poverty reduction due to their success in structural transformation. It is observed that political stability, which allows continuity of effective implementation of successful development policies, was a key advantage they had over Nigeria. Sustained political stability enables a government that has a 'will' for development, the opportunity to put the economy on solid foundations by providing basic infrastructure, developing human resource, legal and other institutions that support effective and efficient functioning of the market.

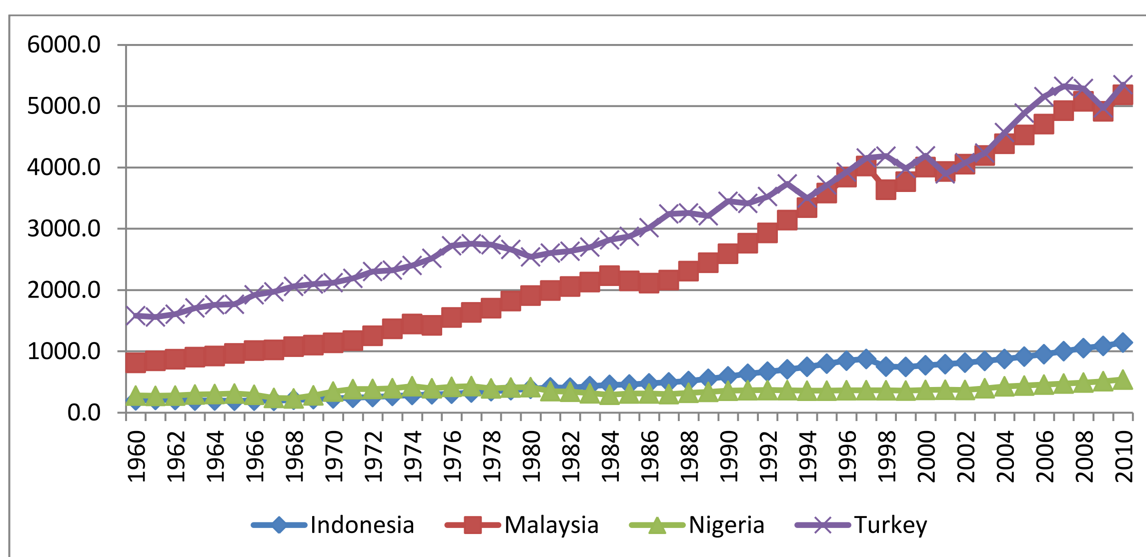
The remaining part of the paper is organized as follows: section two briefly compares the economic performance and levels of poverty in the four countries. Section Three discusses the two aspects of structural transformation (i) demographic transformation and (ii) economic transformation. Section Four examines some of the factors that facilitate structural transformation while section Five assesses development policies and their performances in the countries over the study period (1960-2011). Section Six discuses the best practices, challenges and opportunities for OIC member countries. Section Seven concludes the paper and presents recommendations of the study.

2: Economic Growth and Poverty in Indonesia, Malaysia, Nigeria and Turkey.

GDP per capita (constant 2000 US$)[5] in 1960 stood at $200.65 for Indonesia, $812.62 for Malaysia, $279.5 for Nigeria, and $1582.57 for Turkey. This shows that Indonesia had the least GDP per capita among the four countries under study. The value $200.65 was just about

[5] It is more appropriate to compare countries' GDP per capita in terms of PPP, however, data for all the study countries under study are not available in PPP for the period.

25 percent of Malaysia's GDP per capita, 72 percent of Nigeria's, and just 13 percent of Turkish's in 1960. In 1990, Indonesia's GDP per capita was 23 percent of Malaysia's, 165 percent of Nigeria's, and 17 percent of Turkish and by 2010 it was 22 percent, 212 percent and 21 percent of Malaysia, Nigeria and Turkey, respectively. This indicates that Indonesia was able to overtake Nigeria from 1980 and by 2010 Indonesia's GDP per capita has more than doubled that of Nigeria (Figure 1).

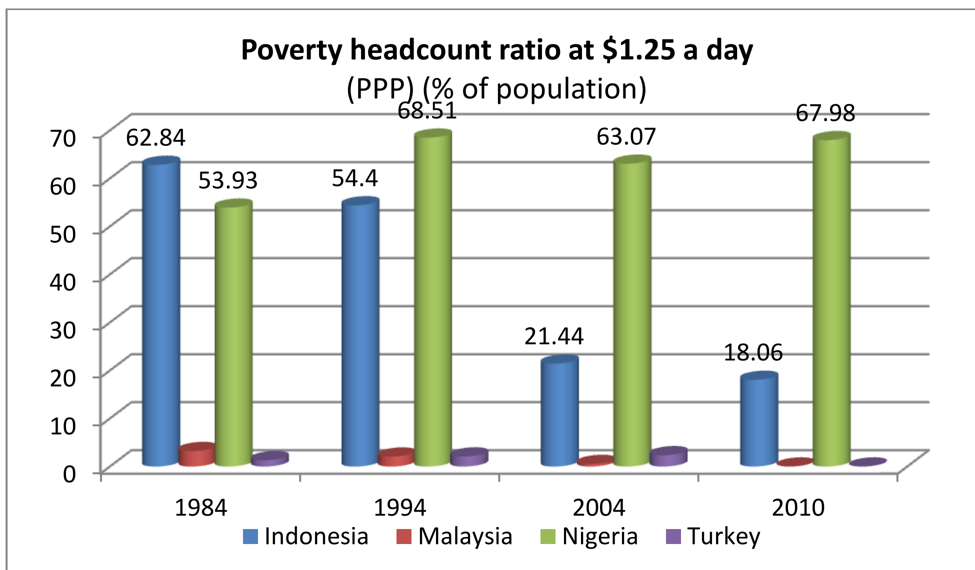


Source: World Development Indicators (WDI)

Figure 1: GDP per capita (constant 2000 US$)

However, as Figure 1 shows, while Indonesia was able to close its gap and overtake Nigeria, Malaysia was able to close its gap with Turkey from 1994. The difference between Malaysia and Turkey in one hand and Indonesia and Nigeria in the other, however, remained very wide. In light of the above, it becomes obvious that Malaysia's economy grew faster than the other three economies between 1960 and 2010 while Nigeria's economy was the slowest growing among them.

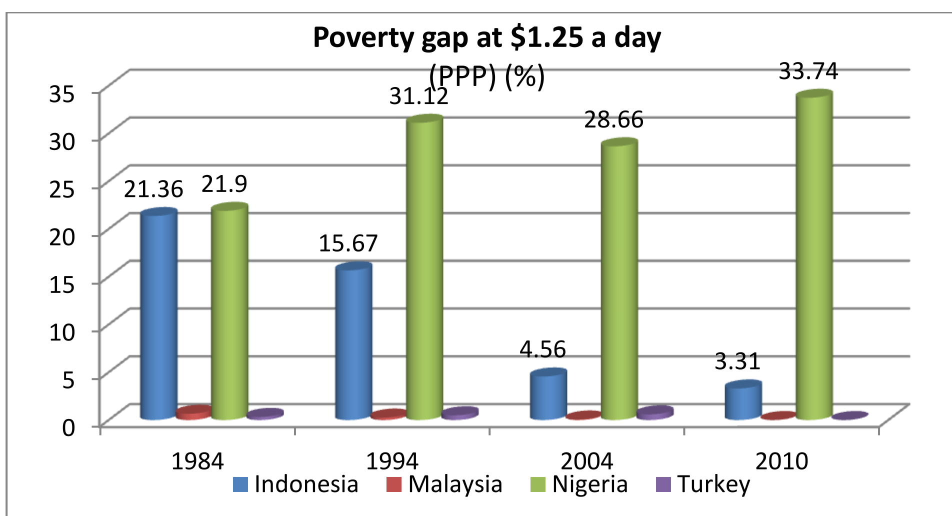
Conversely, poverty declined faster in Malaysia, Turkey and Indonesia than in Nigeria where both the poverty headcount and gap ratios at $1.25 a day purchasing power parity (PPP) actually increased during the last three decades (Figure 2 & 3).



Source: World Development Indicators (WDI)

Figure 2: Poverty Headcount Ratio at $1.25 a day (PPP) (% of population)

In contrast, both poverty headcount and gap ratios drastically declined in Indonesia from 1984 to 2010. The same type of result is obtain when we take a higher poverty line of $2.00 a day (PPP) instead.



Source: World Development Indicators (WDI)

Figure 3: Poverty gap at $1.25 a day (PPP) (%)

3. Structural transformation

Structural transformation of any economy entails two important interrelated transformations: (i) demographic structural change; and (ii) economic structural change. In this section we briefly analyze, firstly, the demographic changes that took place in the

countries during the study period, and secondly, the economic structural transformation that took place in the countries using the available data.

(i). Demographics structural change

Among the four OIC member countries selected for this study, Indonesia has the largest population followed by Nigeria, Turkey and finally Malaysia (Table 1). However, in terms of population growth at the beginning of the study period (1960) Malaysia had the highest rate of 3.15% followed by Turkey 2.61%, Indonesia 2.42% and Nigeria 2.09%. However, although Nigeria had the lowest population growth rate in 1960, it is the only country that witnessed rising growth rate of population throughout the period of study. All the remaining three countries, witnessed declining population growth rate with Indonesia having the fastest decline from 2.42% in 1960 to 1.03% in 2010 followed by Turkey from 2.61% to 1.25% and Malaysia from 3.15% to 1.60% respectively, during the same period.

In terms of urbanization, all the countries witnessed increases in urban population during the study period with Malaysia and Turkey having the highest rate of urban population as percent of total population with average rate of 32.85% and 28.25% in 1960-1964. By 2010, Malaysia's urban population reached 70% of its total population while Turkey had 68.45% of its population in the urban areas followed by Indonesia with 51% and Nigeria 48%, respectively. Despite declining annual rate of urban population growth in all the four countries, the proportion of urban population living in the largest city has increased from average of 17.05% to 21.01% in Turkey and 10.83% to 13.5% in Nigeria between 1960-1964 and 2005-2010, respectively, while it decreased from average of 20.24% to 7.58% in Indonesian and from 14.94% to 7.67% in Malaysia between 1960-1964 and 2005-2010, respectively (Table 1).

Table 1: Average Population and Urbanization

		1960-1964	1965-1969	1970-1974	1975-1979	1980-1984	1985-1989	1990-1994	1995-1999	2000-2004	2005-2010
Indonesia	Population growth (annual %)	2.47	2.56	2.52	2.38	2.22	1.91	1.62	1.39	1.29	1.10
	Urban population (% of total)	15.2	16.45	18.2	20.7	24.1	28.35	33.1	38.8	45.05	50.9
	Urban population growth (annual %)	4.0	4.1	4.8	5.0	5.4	5.0	4.6	4.6	4.0	3.4
	Pop. in the largest city (% of urban pop.)	20.24	19.75	18.93	18.30	17.12	15.32	13.35	10.71	8.81	7.58
Malaysia	Population growth (annual %)	3.22	2.72	2.45	2.32	2.54	2.88	2.64	2.48	2.25	1.74
	Urban population (% of total)	28.25	31.7	35.6	39.85	43.95	47.85	52.75	58.85	64.8	69.9
	Urban population growth (annual %)	5.5	5.0	4.8	4.5	4.4	4.5	4.8	4.6	4.0	3.1
	Pop. in the largest city (% of urban pop.)	14.94	13.15	12.91	14.66	15.12	13.34	11.59	9.87	8.55	7.67
Nigeria	Population growth (annual %)	2.15	2.24	2.46	2.95	2.62	2.56	2.44	2.34	2.43	2.49
	Urban population (% of total)	18.15	21.4	24.1	27.05	30.2	33.55	37.1	40.7	44.35	48
	Urban population growth (annual %)	6.6	4.9	4.8	5.2	4.7	4.6	4.4	4.1	4.1	4.0
	Pop. in the largest city (% of urban pop.)	10.83	10.96	10.99	11.57	12.25	13.21	14.01	13.86	13.68	13.50
Turkey	Population growth (annual %)	2.51	2.19	2.19	2.15	2.29	1.91	1.70	1.59	1.40	1.31
	Urban population (% of total)	32.85	36.2	39.9	42.7	48.1	55.8	60.65	63.4	66	68.45
	Urban population growth (annual %)	4.2	4.3	4.0	3.3	5.4	4.5	2.9	2.4	2.2	2.0
	Pop. in the largest city (% of urban pop.)	17.05	19.17	21.04	22.26	21.92	20.67	20.66	21.17	21.23	21.01

Source: World Development Indicators (WDI)

The decline in the annual population growth rate in Indonesia, Malaysia and Turkey throughout the study period coupled with declining birth and death rates (Table 2) could be related to the significant rise in per capita incomes in these countries (Figure 1) in contrast to Nigeria where the annual population growth rate actually increased while both birth and death rates decreased but at slower rate during the period.

Indonesia, Malaysia and Turkey could be described as having passed their demographic transition and have started reaping what is known as "demographic dividend" or "demographic gift". This refers to a rise in the rate of economic growth as a result of rising share of working age population which is largely attributed to falling birth rate which changes the age distribution of the population into smaller younger population with large older people who constitute the work force.

Table 2: Population Dynamics

		1960-1969	1970-1979	1980-1989	1990-1999	2000-2010
	Dependency ratio (Total)*	82.48	84.97	74.96	60.80	51.32
	Dependency ratio (old)*	6.17	6.32	6.33	6.67	7.73
Indonesia	Dependency ratio (young)*	76.30	78.64	68.63	54.13	43.59
	Birth rate**	42.87	37.05	30.02	23.29	20.18
	Death rate**	17.51	12.63	9.51	7.83	7.30
	Dependency ratio (Total)*	97.00	84.96	72.03	64.91	57.00
	Dependency ratio (old)*	6.39	6.41	6.20	6.07	6.72
Malaysia	Dependency ratio (young)*	90.61	78.55	65.83	58.84	50.28
	Birth rate**	37.91	30.61	29.09	26.59	22.24
	Death rate**	9.04	6.76	5.61	4.88	4.63
	Dependency ratio (Total)*	83.08	87.06	91.82	89.50	85.86
	Dependency ratio (old)*	5.91	5.92	6.00	6.04	6.15
Nigeria	Dependency ratio (young)*	77.17	81.14	85.82	83.46	79.71
	Birth rate**	45.80	46.80	45.71	42.77	41.04
	Death rate**	23.62	20.68	19.15	18.76	16.12
	Dependency ratio (Total)*	86.62	83.06	73.58	61.97	51.69
	Dependency ratio (old)*	6.36	7.32	6.60	7.02	8.51
Turkey	Dependency ratio (young)*	80.25	75.74	66.98	54.96	43.18
	Birth rate**	42.65	37.72	31.20	23.97	19.37
	Death rate**	17.26	14.23	10.03	7.17	5.60

* % of working-age population **per 1,000 people
Source: World Development Indicators (WDI)

This means that there are less dependency ratios which put less strain on the income of the working population giving them more room for saving and investment and hence facilitating rapid economic growth. Therefore, while Indonesia, Malaysia and Turkey are at advanced stage of their demographic transition and have started reaping its dividend, Nigeria can be said to be at the beginning stage.

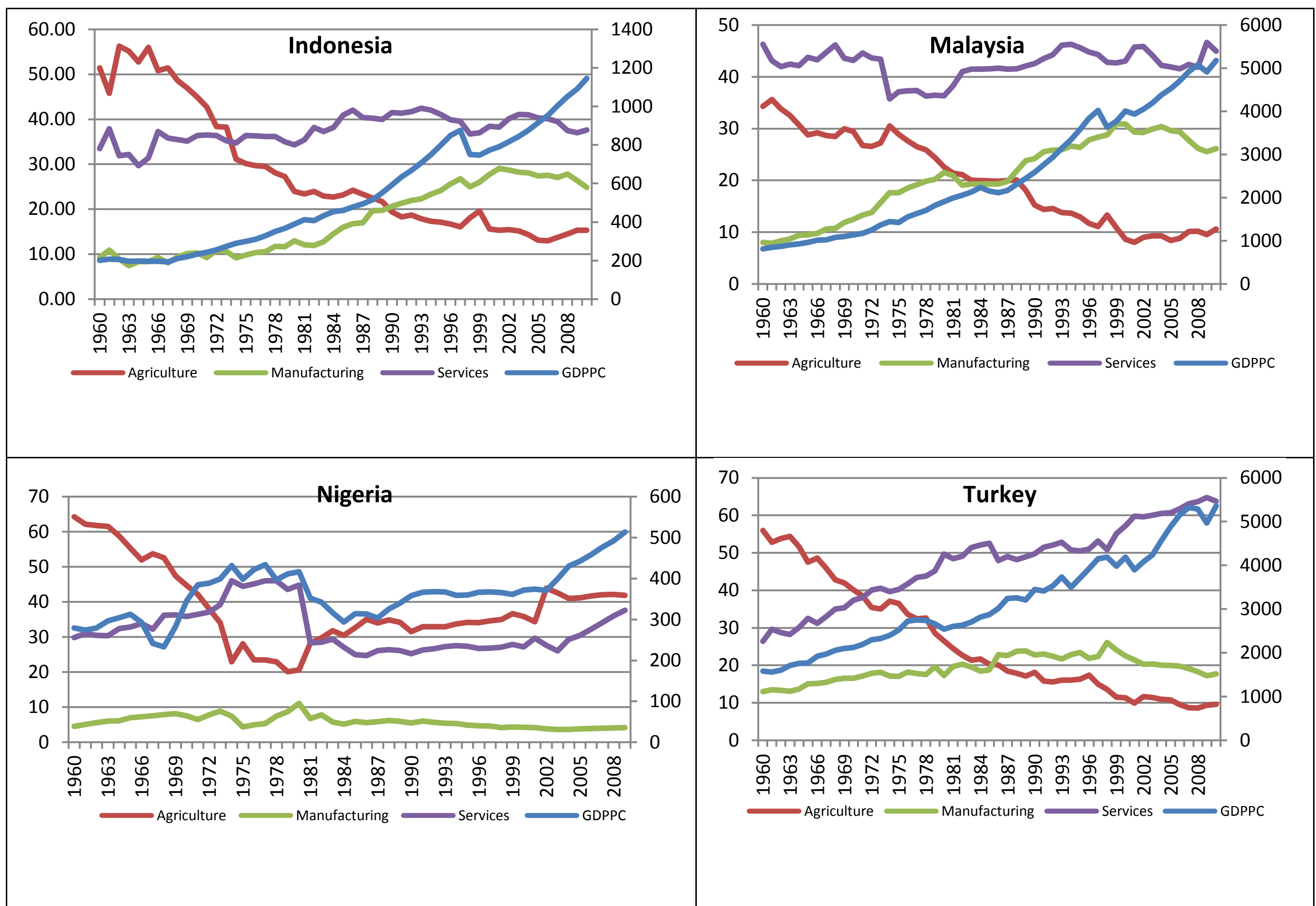
(ii). Economic structural change

Analysis of structural transformation normally focuses on two or two important aspects of the economy: output and/ labour. This section follows the same suit analysing the sector value added and employment contribution by the three major sectors of the economy (agriculture, industry, and services). However, while the discussion on output covers the period 1960-2009 that on labour is limited to the available data covering 1980-2009.

As discussed in the introduction, structural transformation takes place when the primary sector (agriculture) is replaced by the modern sectors (manufacture/industrial and then services) as the leading sector as the economy proceeds on its path to development. This entails shifting resources from the traditional sector which is relatively inefficient to highly efficient modern sectors in the economy. This economic dynamism has been supported by many empirical studies in the industrialized countries and in many newly industrializing countries of Asia and Latin America. This trend can be noticed in all the countries in this study (Figure 3) throughout the period except for Nigeria where the process started at the beginning of the study period but later disrupted by several cyclical fluctuations making it difficult to establish a distinct trend as obtained in the other countries.

Figure 3 shows the relationships between economic growth and structural transformation in the four countries. At the beginning, agricultural sector dominated the economies providing the highest contribution to both output and employment. However, over the period we realized how this trend changed in all the countries except Nigeria, with the industrial sector taking over from the agriculture sector as the major contributor before the services sector finally took over. It could be noticed that as predicted, as economic growth (proxied by GDP per capita (GDPPC) increases agricultural contribution to the economy declines while that of manufacturing and services increases with the latter higher than the former in the case of Indonesia, Malaysia and Turkey. In the case of Nigeria, although similar pattern started in the early years, it however, became distorted with the manufacturing sector unable to pick up while the agricultural sector has started regaining its relevance since 1980s. This is an evidence that despite the huge revenue generated from exports of oil, the Nigerian economy has not been able to achieve structural transformation. This might be the reason for the persistent rise in the rate of poverty incidence in the country.

The analysis presented here, however, only describes some correlations rather than causal relationship between growth and structural transformation. Determining causal relationship and the direction of the causality between the variables is very crucial for policy formulation. This however, requires empirical exercise to investigate the relationship between structural transformation and economic growth. This task will be carried out in a separate paper.



Source: WDI and Central Bank of Nigeria Statistical Bulletin

Figure 3: : Sector Value Added as % of GDP and GDP per capita

Since three of the countries under study are oil exporters, we try to see if there is difference between taking manufacturing to represent the industrial sector or using the taking the industrial sector in general. We therefore show the sectoral performance of the economies taking industry on the one hand and manufacturing on the other.

Since the industrial sector consists of mining subsector which includes (solid such as coal and liquid such as oil & gas) and manufacturing, some researchers prefer to take the manufacturing sector because it is generally labour intensive and therefore offers more employment than the oil subsector which by nature is more capital intensive.

When manufacturing subsector is considered instead of the entire sector the effect of the subsector which is considered as a key to structural transformation can be more clearly seen. When we compare the four countries in terms of manufacturing, we observe a rising trend in manufacturing value added between 1960 and 2010 in Indonesia, Malaysia, and Turkey, in contrast to a declining trend in the case of Nigeria. This means that manufacturing has not been successful in Nigeria compared to the other three countries. The implication of this is that the economy has not been effectively transformed. This is because manufacturing which is suppose to be the major driving force of the economy, taking over from agriculture both in terms of contribution to GDP and in terms of employment generation before the tertiary sector (service) finally takes over as development persists, did not play that role in the case of Nigeria.

Similar trend can be noticed in terms of employment in Indonesia, Malaysia and Turkey where the declining shares of employment in agriculture gave way to a rising employment shares in the industry and services sectors. Although the data for Nigeria are scanty, the few available data sets indicate a rising trend in employment in agriculture and industry between 1980 and 2009 while contrary to expectation, the share of employment in services sector declined during the same period (Table 3).

Table 3: Employment by Sector

	Employment in agriculture (% of total employment)				Employment in industry (% of total employment)				Employment in services (% of total employment)			
Country	**IDN**	**MYS**	**NGA**	**TUR**	**IDN**	**MYS**	**NGA**	**TUR**	**IDN**	**MYS**	**NGA**	**TUR**
1980	56.4	37.2	33.6*	N/A	13.1	24.1	5.7*	N/A	30.4	38.7	56.5*	N/A
1985	54.7	30.4	46.5**	45	13.4	23.8	7.5**	20	31.8	45.8	43.7**	35
1990	55.9	26	N/A	46.9	13.7	27.5	N/A	20.7	30.2	46.5	N/A	32.4
1995	44	20	N/A	43.4	18.4	32.3	N/A	22.3	37.6	47.7	N/A	34.3
2000	45.3	18.4	N/A	36	17.4	32.2	N/A	24	37.3	49.5	N/A	40
2004	43.3	14.6	44.6	34	18	30.1	11.5	23	38.7	55.3	41.7	43
2009	39.7	13.5	N/A	22.9	18.8	27	N/A	25.3	41.5	59.5	N/A	51.7

Note: * 1983 **1986 , IDN = Indonesia; MYS = Malaysia; NGA = Nigeria; TUR = Turkey
Source: World Development Indicators (WDI)

The rising contribution of the agricultural sector in the face of rising agricultural employment in Nigeria (compare Table 3 with Table 4) suggests that there was no increase in productivity and the change was due to increase in labour in the sector which the increase in the industrial sector could be attributed to the activities of the oil subsector and not manufacturing. Overall the trend in the sectoral employment (declining in the agricultural sector, rising in the industrial and then the services sectors) has not been consistent in Nigeria as is the case in the other countries as *a priori* predicted.

Table 4: Value added by Sector

	Agriculture (% of GDP)				Industry (% of GDP)				Services (% of GDP)			
Country	**IDN**	**MYS**	**NGA**	**TUR**	**IDN**	**MYS**	**NGA**	**TUR**	**IDN**	**MYS**	**NGA**	**TUR**
1980	23.97	22.61	31.79*	26.50	41.72	41.04	38.78*	23.8	34.31	36.35	29.43*	49.68
1985	23.21	19.92	35.0**	20.26	35.85	38.53	40.2**	27.13	40.94	41.56	24.8**	52.61
1990	19.41	15.22	31.52	18.09	39.12	42.20	43.20	32.16	41.47	42.59	25.27	49.75
1995	17.14	12.95	34.19	16.29	41.80	41.40	38.44	33.24	41.06	45.65	27.37	50.47
2000	15.60	8.60	35.83	11.31	45.93	48.32	36.99	31.48	38.47	43.08	27.18	57.21
2004	14.34	9.27	40.98	10.92	44.63	48.53	29.66	28.52	41.04	42.20	29.36	60.56
2009	15.30	9.52	41.84	9.35	47.68	43.81	20.56	25.94	37.02	46.67	37.59	64.71

Note: * 1983 **1986, IDN = Indonesia; MYS = Malaysia; NGA = Nigeria; TUR = Turkey
Source: World Development Indicators (WDI) & CBN

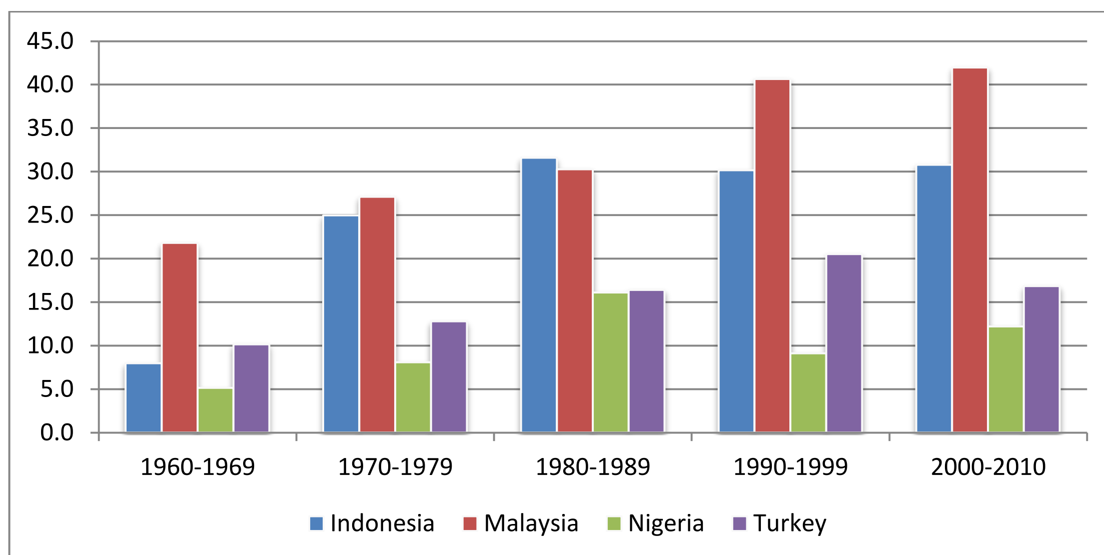
Various soccio-economic factors contribute to changes in economic performance that led to changing structure of the economy. In the following subsection we compare the performance of the countries based on some of these factors for which data are available.

(i) Savings and Investment

The critical role of saving and by extension investment in economic growth has for a long time dominated conventional economic thoughts. Insufficient capital was singled out as the missing factor in the growth process of developing countries and therefore, the solution to maintaining a sustained economic growth was to capital gap by raising domestic saving and investment. Alternatively, the gap could be covered through foreign aid or foreign direct investment (FDI) as experienced by some western nations through the Marshal Plan. Developing countries lack sufficient capital for their growth because of low savings upon which investment is assumed to depend. Investment is very crucial in industrial upgrading which is critical in structural transformation. There cannot be transformation within sectors without changing the modes of production using modern technologies and research and development all of which require heavy investments in both human and material resources. Investment in human resources is also a key to successful transformation because movement of labour from primary to tertiary sectors cannot be effectively achieved with illiterate and unhealthy workers. This is true because highly educated and healthy workers migrate easier than those with lower qualifications.

The spectacular growth performance of the ‘miracle’ economies including Indonesia and Malaysia has largely been attributed to high and increasing rate of private saving which has been driving high rates of investment in the countries (Faruqee and Husain, 1998; World Bank, 1993).

Figure 4 shows the average gross domestic saving in the four countries under study. It reveals that Indonesia and Malaysia have the highest and steadily increasing domestic savings compared to Turkey and Nigeria. This was due to changes in age structure (dependency ratio) which declined significantly in the countries (Table 2). Other factors such as high rate of growth in per capita income, the level of financial deepening, compulsory saving schemes such as social security (in the case of Malaysia) are seen as major determinants of the high rates of savings experienced in those countries. Other variables such as levels of wealth, interest rates and government debt are also considered important determinants (Faruqee and Husain, 1998).



Note: Nigerian Data is for Total Savings as % of GDP
Sources: World Development Indicators (WDI) and Central Bank of Nigeria (CBN)

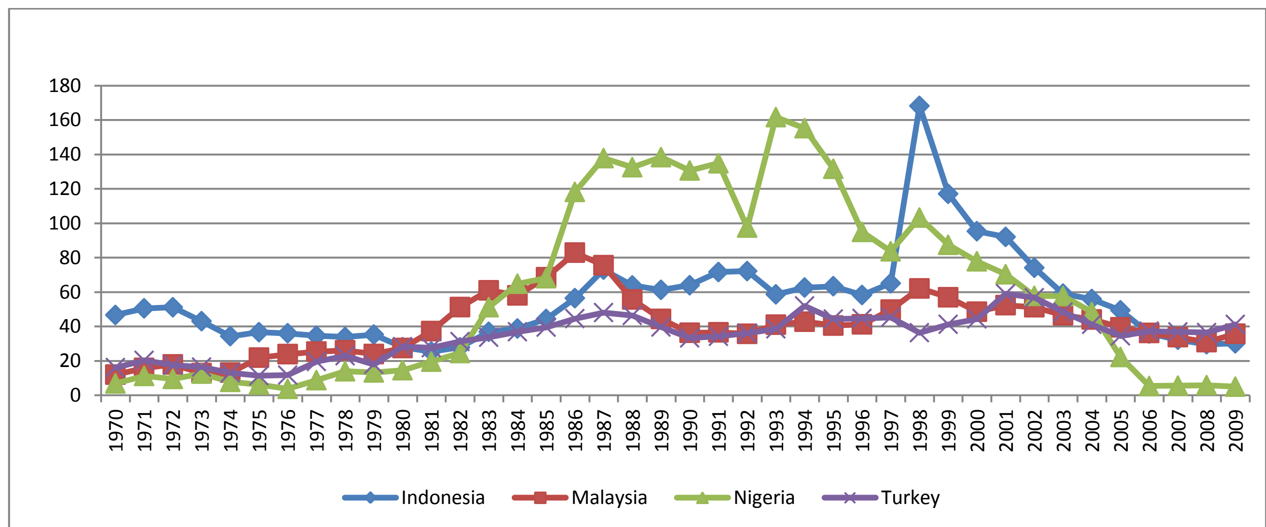
Figure 4: Average Gross Domestic Savings (% of GDP)

(ii) External debt

Stock of public debt and level of interest payment on loans are also important determinants of growth. Studies have established an inverse relationship between public debt and economic growth. Countries having low debt profiles and make less payment from their hard earned incomes for repayment of debt plus interests to their creditors. This gives them more room to spend more on development activities than those that have to devote large

proportion of their income on debt repayment thereby constraining economic growth and development and by extension poverty reduction. This is because debt repayments limit public expenditures on social services which are critical for economic growth and poverty reduction.

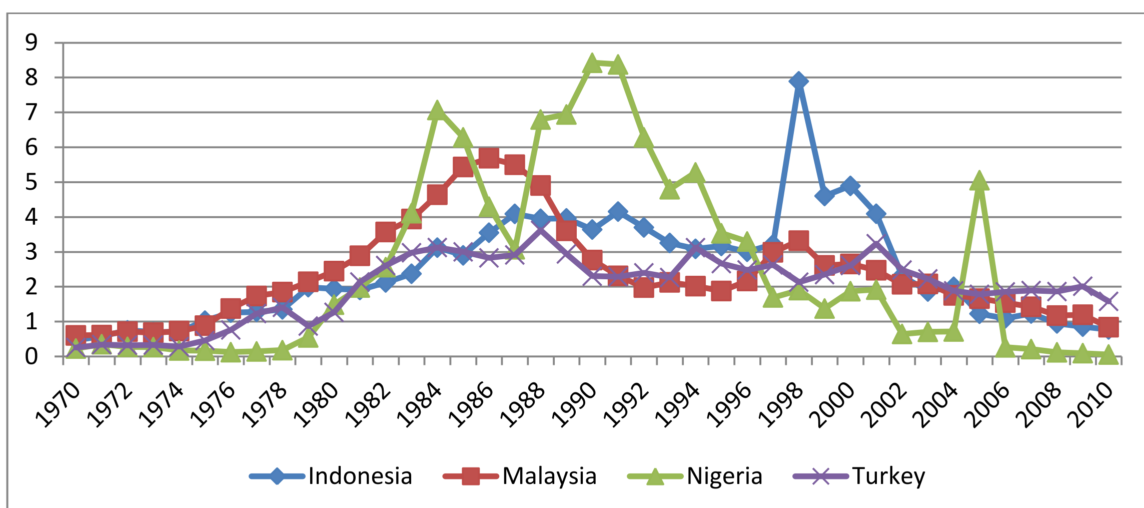
External debt stocks (% of GNI) as shown in **Figure 5** was below 40 percent of Gross National Income (GNI) of all the countries at beginning of 1970s. However, in the case of Nigeria its debt stocks soured in mid 1980s and early 1990s picking up to over 140 percent, a level that was not reached by all the remaining countries except Indonesia during the 1997/98 financial crisis. The highest level of debt stocked reached by Malaysia was (80 percent) in 1986 while Turkish's stocks had never reached beyond 60 percent throughout the period. The prolonged debt crisis that led to the implementation of Structural Adjustment Programme in Nigeria in the 1980s and 1990s was one of the factors behind the poor performance of the economy. It could be considered as one of the factors that crippled structural transformation in the country during that period.



Source: World Development Indicators (WDI)

Figure 5: External debt stocks (% of GNI)

The trend of interest payment (Figure 6) was somewhat similar to that of the debt stock (Figure 5).



Source: World Development Indicators (WDI)

Figure 6: Interest Payments on External Debt (% of GNI)

(iii) Foreign Direct Investment (FDI)

FDI represent the foreign content in a domestic economy. This reflects not only the relative openness of the economy to foreign investors but also the level of performance of the economy. Since capital is a key factor in economic growth it follows that an economy that records sustained high flows of foreign capital grows faster. However, a caution must be taken here because issues of inclusiveness may arise whereby despite having large inflows of FDIs rate of inequality increases or remain high. Therefore, for FDIs to effectively lead to sustainable growth and development, they must be targeted towards labour intensive sectors that provide more employment thereby reducing poverty in the society. Table 4 average FDI for the four countries over the study period.

Table 4: Foreign Direct Investment, Net Inflows

(BoP, millions current US$)

	1970-1974	1975-1979	1980-1984	1985-1989	1990-1994	1995-1999	2000-2004	2005-2010
Indonesia	N/A	N/A	218	442	1,693	2,622	(1,217)	7,958
Malaysia	210	442	1,130	798	4,172	4,090	2,928	6,094
Nigeria	285	354	158	710	1,100	1,254	1,617	6,445
Turkey	64	52	65	271	716	827	1,981	14,877

Source: World Development Indicators (WDI)

It shows that Indonesia was recording a steadily rising FDI net inflows until 2000-2004 when it sharply declined to negative due to aftermath of the Asian financial crisis. However, it leaped up afterwards bypassing both Malaysia and Nigeria. As for Turkey, FDI had been rising steadily crossing the average of a billion dollar after the turn of the Century. It however, dramatically peaked during the last half of first decade of 2000s most likely due to the structural adjustments carried out in the economy during the preceding years. Moreover, unlike in Indonesia, Malaysia and Turkey where the foreign investments were much more diversified giving the performance of their non-oil sectors, the FDI inflows in Nigeria were largely targeted to the booming energy sector during the years starting in the 1990s. This might be considered as one of the factors that explain the persistence of poverty in the country.

(iv) Human and Institutional Development

Apart from economic factors structural transformation is also influenced by quality of political institution that play key role on the economic and social institutions which are essential for running the economy. At the social sector level, the quantity and quality of human resources are instrumental in successful structural transformation. This is because changes in the key sectors of the economy and labour migration from less productive to more productive sectors depend on the level of human development. Modern sectors such as manufacturing, services and even modern agriculture require literate and skilled manpower. That is why countries that achieved rapid development in primary and secondary education developed faster. Studies[6] have shown that the East Asian miracle economies including Indonesia and Malaysia had the advantage of superior institutions and improved human development over the rest of developing countries. For instance, Birdsall et al (1995) find in a regression consisting of more than ninety developing countries that the economies in East

[6] See for example: World Bank (1993), Capos and Hilton (1996), Root (1996), Birdsall, Ross and Sabot (1995), Ranis (1995).

Asia had the highest primary and secondary enrolment rates than many other developing countries. It is also observed that both quantity and quality of education improved in East Asian countries contrary to other developing regions where increases in the quantity of schooling resulted in erosion of quality especially for the poor children.

In this section we briefly compare and analyze available data on human development in the study countries. Table 5 shows adult literacy rates in all the four countries. It is interesting to notice that Nigeria which is observed above to have the slowest rate of structural transformation has the least adult literacy rate, 60.8 percent compared to above 90 percent in all the remaining countries.

Table 5: Adult Literacy Rate
(% of people ages 15 and above)

Country Name	1980	1990	2000	2009
Indonesia	67.3	81.5	90.43	92.24
Malaysia	69.5	82.91	88.7	92.5
Nigeria	N/A	55.41	54.82	60.8
Turkey	65.7	79.2	87.43	90.8

Source: World Development Indicators
Note: [1] 1991 figures; [2] 2003 figure; [3] 2004 figures; [4] 2008

In terms of primary school enrolment rate, it is observed that while Indonesia, Malaysia and Turkey had achieved more than 70 percent net enrolment since 1970s, the rate for Nigeria just crossed 60 percent in late 1990s (Table 6).

Table 6: Primary School Enrolment (% net)

Country	1994	2000	2005	2009
Indonesia	98.0	90.1	92.4	95.3
Malaysia	95.3	97.8	95.9	N/A
Nigeria	N/A	64.5	67.2	N/A
Turkey	89.2	96.0	96.6	97.5

Source: World Development Indicators

Moreover, Nigeria is found to be far behind the other three countries in terms of the number of children out of primary school. For instance, while the rate was less than 2 percent

in Indonesia and less than 1 percent in both Malaysia and Turkey in early 2000, by mid 2000 Indonesia caught up with Malaysia and Turkey and had less than 1 percent while rate remained averagely above 7 percent in Nigeria throughout the period (Table 7).

Table 7: Children out of Primary School (%)

Country	1999	2000	2001	2002	2003	2004	2005	2006	2007
Indonesia	N/A	1.6	1.3	1.2	1.1	0.948	1.3	0.421	0.511
Malaysia	0.071	0.067	0.100	0.156	0.162	N/A	N/A	N/A	N/A
Nigeria	7.4	6.9	N/A	N/A	7.1	7.1	7.1	7.2	8.7
Turkey	0.374	0.261	0.223	0.203	0.338	0.275	0.224	0.148	0.083

Source: World Development Indicators

Although the rate of repetition by students is a more appropriate measure of quality of education, however, lack of data does not permit us. However, data on other indicators such as the pupils' persistence to last grade of primary school and progression to secondary school indicate that averagely more than 90 percent of pupils continue their studies to the last grade of their primary schooling in Malaysia and Turkey, more than 80 percent in Indonesia in early 2000. In contrast, less than 80 percent of the primary school pupils in Nigeria continue to the last grade. However, the situation seemed to be deteriorate further in the recent years. For instance, less than 50 percent of the kids were able to reach the last grade of primary school in 2005 and 2006 (Table 8).

Table 8: Persistence to Last Grade of Primary School

total (% of cohort)

	2001	2002	2003	2004	2005	2006	2007	2008
Malaysia	N/A	97.1	N/A	N/A	89.4	92.2	95.9	97.7
Indonesia	85.9	86.4	N/A	83.5	N/A	N/A	80.0	N/A
Nigeria	N/A	72.7	72.8	73.0	77.7	49.7	46.7	65.4
Turkey	N/A	N/A	N/A	96.6	97.8	97.5	94.2	91.8

Source: World Development Indicators

The same scenario can be observed in the countries regarding students' progression to secondary schools (Table 9).

Table 9: Progression to Secondary School (%)

Country	2003	2004	2005	2006	2007	2008
Indonesia	83.5	78.5	88.5	98.7	89.6	91.8
Malaysia		99.6	99.0	98.9	N/A	99.6
Nigeria	48.6	50.4	49.0	43.9	N/A	N/A
Turkey	95.1	95.5	96.2	97.0	96.7	96.7

Source: World Development Indicators

The indicators discussed above indicated Nigeria is lagging behind the other three countries in educationally. The overall performance of the countries in human development index gives a comprehensive picture of the level of human development in the countries.

Also the UNDP Human Development Indicators confirms that Nigeria lags behind the other countries in all the development indicators, education, health and income followed by Indonesia and Turkey. The trends in human development in the four countries are quite similar to the trends of structural transformation discussed above suggesting that structural transformation and human development move hand in hand.

(v) Institutions

As economist continue to search for the profound determinants of economic growth and development, a new paradigm emerged to rescue neoclassical economics from various criticisms by incorporating the role of institutions and good governance in the analysis. Since the pioneering works of North and Thomas,[7] the relevance of institutions and good governance in economic development received a great deal of attention by policy makers and academics during the recent decades and there seems to be a convergence over the essential role they play in sustainable growth and development (World Bank 1993; Zhuang et al. 2010). Structural transformation also depends to a large extent on effective institutions that

[7] North and Thomas 1976, North 1981, 1990 and 2005. For a review of New Institutional economics literature see (Zhuang, et al 2010).

facilitate movement of resources from less productive to more productive sectors of the economy by providing the essential infrastructure and all the required support for well functioning of the market mechanism.

The roll of institutions for effective performance of the market forces and enforcement of contracts which are necessary greater, exchange, investment and innovation has been very well recognized in economics. The state is identified as the most effective body for enforcement of rules and sanctions that control actions of individuals and firms in the market. However, overdependence on the government with such powers often leads to other problem such as corruption, opportunism, and bias by the leaders. Therefore, the concept of good governance became prominent in the arena of development economics. Against this background, a number of indicators are suggested by experts in assessing the effectiveness of institutions in sustainable economic growth and development, and by extension structural transformation.

For instance, the World Bank[8] has identified six indicators [(i) voice and accountability, (ii) political stability/absence of violence, (iii) government effectiveness, (iv) regulatory quality, (v) rule of law, and (vi) control of corruption] which are used in this paper in comparing the four countries in terms of institutional development and how it affects their overall performance in economic growth and development. The performances of the four countries in the six governance indicators reveal similar trends to that of the HDI of the countries discussed above. It can be observed that Nigeria ranks below the other countries in all the indicators followed by Indonesia while Malaysia ranks the highest followed by Turkey.

Both the quality of institutions and good governance as well as the level of human development, and domestic and external economic environments are directly or indirectly

[8] Worldwide Governance Indicators: http://info.worldbank.org/governance/wgi/sc_country.asp

influenced by the quality of policy formulations and effectiveness in their implementation. Good and excellently implemented policies can minimize the effects of negative factors and enhance the performance of positive factors that affect economic growth and structural transformation.

5: Economic policies and performances

Structural transformation hinges on continuous implementation of effective of economic policies. Although the sufficient conditions for growth are not precisely known, however, a number of essential features suspected to be necessary for sustained growth are identified (The Growth Report, 2008). These policies are categorized under five headings: accumulation; innovation; allocation; stabilization; and inclusion. Space would not allow us to discuss these in details[9]. A combination of which of the policies within these categories that work or doesn't work depends of the existing realities in the respective country. A policy that worked in a particular country might not equally perform well in another due to differing circumstances.

In this section, we briefly review some of the development policies implemented in the four countries during the period covered by this study.

Indonesia

An archipelago of more than 13,000 islands, Indonesia is one of the most heterogeneous country in the world. The country is rich in natural resources such as petroleum, natural gas, coal, tin, bauxite, nickel, gold, silver, and copper despite having very fertile agricultural land. Being the fourth most densely populated country in the world[10], Indonesia has the opportunity of increasing its economic growth potential by focusing on its domestic economy. Although abundance of both natural and human resource pose great

[9] Refer to The Growth Report, 2008 for detailed discussion.
[10] Indonesia's population is estimated at 241 million people in 2011, (UN Population).

advantages, Indonesian economy missed various opportunities for development at various periods of its history (Touwen, 2010).

Indonesian economy had historically encountered many uncertainties that inhibited its growth from the colonial period under the Dutch to the period of Japanese occupation and struggle for independence (1945-1949) down to early years after independence. Despite external influences such as the Great Depression in 1930s, the factors that hindered economic growth in the country were rooted in the internal institutional and political dimensions (Touwen, 2010). Economic policy after independence up to 1965 focused on import substitution strategy, public control and self-sufficiency after eliminating all foreign control in the private sector. However, the economy, which was aligned much to the left, soon found itself in exchange rate problems, absence of foreign capital and its associated benefits. These problems led the country into a desperate economic situation which, among others, led to serious political problems that overthrew the government of President Sukarno in 1966.

President Soeharto who took over power as the second president for the next 32 years restored economic stability in the country. He opened Indonesia's doors to foreign investments, and maintained some degree of political, even though authoritarian, stability. Soeharto introduced the 'New Order' (Orde Baru) to distinguish his policies from those of his predecessor. Backed by favourable oil and gas prices during the 1970s, the government managed to invest part of the windfall into the development of advanced manufacturing, infrastructure and human development especially education. The resulting stable economic condition qualified the country to be included in the East Asian miracle economies in the World Bank Policy Report (1993)[11]. During that period per capita income substantially increased due to a broad based rural development strategy, increase in rice production and the consequent developments in construction and manufacturing sectors. These culminated in

[11] East Asian Miracle: Economic Growth and Public Policies. World Bank (1993)

raising household incomes leading to spectacular decreased in incidence of absolute poverty from 40 percent to 11 percent (56 million to 11 million) between 1976 and 1996 (Frank and Douglas, 2005).

The period 1966-1998 was classified into three phases[12]: (1966-1973); (1974-1982); and (1983-1996). The first period (1966-1973) was characterised by as period of stabilization, rehabilitation, partial liberalization and recovery of the economy, while the second period (1974-1982) consisted of the periods of oil boom which gave rise to a rapid economic growth and greater involvement of the government in economic activities. The last phase (1983-1996), which involved post-oil boom era (a period of falling oil prices), was the most difficult time of the economy in recent time. The desperate situation forced the government to embark on some structural adjustment measures such as deregulation and liberalization. Moreover, it was during that period that Indonesia successfully achieved rapid export-led economic growth. However, like any authoritarian regime its over-stay led to booming corruption practices at all levels of the government bureaucracy in the country. It was at this juncture that a combination of financial, economic and political crisis led to the collapse of the government of Soeharto in 1998, the year of the Asian financial crisis.

During the Asian financial crisis, Indonesia was the hardest hit among all the affected countries. Combined with drought that afflicted the country during the same period, production and incomes fell by nearly 14 percent while poverty incidence more than doubled from 15 percent to 33 percent with about 36 million more people pushed into absolute poverty in 1998-1999. Although the economy was able to recover rapidly from 1999 onward, however, it has not yet been able to fully stabilize. In order to address the economic challenges posed by the Asian financial crisis and put the economy back on its foots, the government formulated the National Development Programme (2000-2004). The main goal

[12] Thee Kia Wie (2002)

of the plan was the realization of peaceful, democratic, just, competitive, advanced and prosperous society (UNDP, 2010). The National Medium-term Development Plan (RPJM) was lunched during 2004 and 2009. The plan maintained the main objectives of the previous plan in addition to the objective of poverty reduction through higher growth, employment generation and environmental sustainability. It also included the objective of achieving the MDGs.

Despite the concerted efforts by the successive governments to restore the economy, it took several years for the GDP and the poverty levels to move to their respective levels prior to the crisis year while disparities remained between regions and economic groups in the country. Moreover, although the recent financial crisis (2008) had mild impact on the economy, the country is still facing some severe economic development problems since the financial crisis of 1997. The country has however, made progress on democratization process and human rights since the collapse of Soeharto's government in 1998. Other areas in which progress has been made include detachment of judiciary from the executive and creation of a number of new institutions to safeguard the rule of law such as National Anti-corruption Commission and Anti-corruption Court with the aim of improving good governance and accountability (UNDP 2010).

Malaysia

Malaysia became independence in 1957. The country, which is endowed with natural resource, is racially divided by three major ethnic group, Malay, Chinese and Indians. Apart from race, the country was also polarized by religion, regions, and wealth. Like the case in many newly former colonies, Malaysian economy emerged from diverse problems ranging from the colonial legacy, ethnic diversity, to issues related to the size of the economy itself (Pramanik, 1994). However, unlike in many similar countries Malaysian economy was able to successfully address all the challenges and significantly achieved sustained economic

growth and social development. These were, of course, attributed to the committed leadership under a stable political environment that gave room for continuity of the realistic policies embarked by the government. The racial conflict of 1969 served as a turning point in the economy. The lessons learnt from the conflict led to the analysis and re-examination of the overall national ideology and long-term socio-economic objectives of the nation.

Immediately after the 1969 conflict the Malaysian government introduced the New Economic Policy (NEP) with the overriding goal of national unity through eradication of poverty and redistribution of wealth among the diverse races in the country. This objectives would be met through giving economic opportunities and provision of viable employment to all Malaysians irrespective of their race or religion.

Prior to NEP, Malaysia's development policy focused primarily on promoting growth through the import substitution strategy. This policy, which also aimed at reducing dependence on imported products, was however, abandoned in 1968 due to the smallness of the economy and by extension limited domestic demand. Therefore, the export expansion policy was introduced by the government to replace the import substitution policy. The launching of the NEP in 1971 marked a turning point in Malaysia's economic history. The policy was to be implemented within 20 year under four five-year Malaysia Plans (1971-1975; 1976-1980; 1981-1985 and 1986-1990).

The major premise of the NEP was providing increased economic opportunities for the poor and other disadvantaged groups to enable them overcome the grief of poverty and become involved in the mainstream economic activities through raising and sustaining economic growth. As for the distribution aspect, the plan ensured that wealth reallocation was focused on expanding the existing wealth and creating new sources. Overall, given the outcomes and the accompanying commentaries on the NEP, the implementation of the program was very successful (Pramanik, 1994). Incidence of poverty dropped from nearly 50

percent in 1970 to about 6.5 percent in 1990 and to 5.1 percent in 2002. The share of corporate equity of the Bumiputera (indigenous Malaysians) increased to 20.4 percent in 1990 from slightly over 2.0 percent in 1970, while that of the other Malaysians reached 46.8 percent and the share of foreign holdings dropped to 25.1 percent. Although the target set by NEP was 30 percent for Bumeputera, 40 for other Malaysians, and 30 percent for foreigners, the share of the Bumeputera has shown a significant improvement in 1990 compared to the situation in 1970. By 2002 all shares of all the group increased tremendously due to the mass expansion of the total value of corporate equity.

A very important lesson to learn from Malaysia's poverty eradication strategy is its focus on human development led to improved quality of life. Moreover, the programs mostly targeted income generating projects that encourage the poor to participate in the mainstream economic activities, become self-reliant and get out of poverty (Department Malaysian Studies).

The National Development Policy (NDP) was launched after the expiration of the NEP in 1990. It was to be implemented for another 10 years (1990-20000) to be covered under two Malaysian Plans (1991-1995 and 1996-2000) . The NDP was design as a continuation of the NEP, building on the successes achieved and taking corrective measures on the challenges met. The NDP aimed at achieving balanced development through sustained economic growth. However, the policy focused on more realistic objectives such as eradication of hardcore poverty and reducing relative poverty. It also incorporated new dimensions to the old plan such as upgrading the development of productive labour force in place of human resource development; relying more on the private sector to restructure the economy instead of depending on direct public sector participation; and emphasizing on employment generation.

The NDP also aimed at promoting inclusive economic growth and welfare to all Malaysians, promoting religious and social values as well as utilizing science and technology for economic development. To achieve these objectives, the government shifted away from high capital-output-driven to productivity-driven growth strategy.

The National Vision Policy (NVP) was the first policy in the series of Malaysian development policies to be launched during the 21st Century (2001-2010). The policy was to be covered under the Eighth and Ninth Malaysian Plans. One striking aspect of the NVP and the previous Malaysian policies is that they incorporate the strategies of the predecessor policy in addition to new policy dimensions aimed at achieving the set objectives. The new policy aimed at moving Malaysia into a knowledge-based country, achieving domestic-driven growth, and raising the participation of the indigenous Malaysians in corporate ownership to 30 percent by 2010.

The successes of the various development policies implemented by Malaysian government and the problems encountered have been subjects of discussions and analysis by many commentators. We are not going to review them here. However, it is pertinent to mention that the tremendous performance of Malaysia in reducing poverty and increasing overall economic and social development in the country has been miraculous. This miracle, however, happened because of some factors that were not found in other countries that failed in their development experiences. One of the key aspect of Malaysia's development performance is the relative political stability that gave rise to continuity of economic and social policies over the last forty years of development planning. Another important factor is the dynamism of the successive policies that incorporated the previous strategies in addition to the new dimensions that aimed at making the economy catch up with other developed economies in the world.

Nigeria

Between 1960 when Nigeria became an independent state and 1986, the year when the Structural Adjustment Programme (SAP) was formally launched, the country implemented 5 development plans. The First National Development Plan (1962-1968) was launched with broad scope and targets of achieving national economic goals. It aimed at attaining a minimum annual growth rate of 4.0 percent and a savings/investment ratio of 15 percent of GDP. Priorities for investment were set primarily on agriculture, industry and the development of middle and high level manpower. Despite achieving some of the objectives, the implementation of the plan was disrupted by the military take over in 966 and the subsequent Civil War (1967-197) and some of the resources were diverted to the effort of keeping the country united. This led to accruing increased expenditure by 12.3 percent and a 5.7 percent drop in the planned expenditure on social sector including education, health, cooperative and social welfare (Marcellus 2009).

The Second National Development Plan (1970-1974) was launched immediately after the Civil War with the objective, among others, of reconstruction of the damaged economic structures, industrial development for sustained economic growth and establishing a free and democratic society. However, before the final year of implementing the plan, oil prices suddenly jumped up to unprecedented levels and oil became the major source of revenues to the government. It is, therefore, not surprising that the Third National Development Plan (1975-1980) was the most ambitious of all the development plans Nigeria ever designed. Its objectives, however, were the same as the previous plan in addition to targeting reducing unemployment and diversifying the economy as well as increasing public ownership (indigenization) of the economy (Mordi et al. 2011). It was also observed that the Second National Development Plan could not achieve its set objectives and Marcellus (2009) linked that to lack of the will to perform, lack of finance giving the fact that the only source of

revenue (oil) upon which the plan was designed became very critical due to dwindling prices, corruption, heavy dependence on oil etc.

This situation became even more critical at the period of implementing the Third National Development Plan during which only N29.43 billion out of the projected expenditure of 43.21 billion was spent. Similarly, during the Fourth National Development Plan the actual expenditure was only N17.33 billion out of N42.2 billion planned to be spent (Marcellus 2009). Commenting on the four National Development Plans, Okojie (2002) lamented that after implementing the plans "*the foundation for sustainable growth and development was yet to be laid. The productive base of the economy and sources of government revenue were yet to be diversified. The economy did not have its own driving force and was therefore highly susceptible to external shocks* (Okojie, 2002) quoted in Marcellus (2009).

The mono-cultural nature of the Nigerian economy, with its heavy dependence on oil revenue, led to accumulation of large amount of deficits during the implementation of the Third and Fourth National Development Plans. As the economy sank deep into serious crisis due to the international oil price crash in the 1980s, the government implemented that Structural Adjustment Program (SAP) in 1986 designed by the World Bank and the IMF replacing the medium-term five year development plans. The main objectives of SAP were deregulation, privatization, diversification of the economy and achieving positive external balance. SAP failed to achieve its desired objectives and the few economic gains that some commentators cheered were at the heavy costs on human development and poverty.

The failure of the medium-term planning and SAP led to a three tie planning system consisting of a 15-20 year Perspective Plan (long-term) divided into a three-year Rolling Plan (medium-term) to be implemented through an Annual Budget (short-term) drawn from the Rolling Plan (Marcello 2009). This was followed by the National Economic Direction (1999-

2003) which was similar to the five-year medium-term plans. This was the first plan to be implemented after the return of democratic rule. However, both the rolling plans and the National Economic Direction plan woefully failed to achieve any significant success due to the same reasons described above. The subsequent plans, the National Economic and Empowerment Development Strategy (NEEDS) together with its twin sisters, the States Economic and Empowerment Development Strategy (SEEDS) and the Local Government Economic and Empowerment Development Strategy (LEEDS), and the recent Visions 2020 and 20 2020, were not successful due to the lack of willingness to perform and corruption despite the huge amount of revenue garnered since the return of democratic rule in 1999.

Turkey

Over the years since its emergence as a new country after the collapse of Ottoman Empire during the First World War, Turkish economy has been able to transform itself from a backward agriculture-based economy into a complex and diversified economy relying on both domestic and global markets. Despite disruptions at various points over the period since 1923, the economy grew averagely at an annual of six percent.[13] Apart from being the eldest economy among our four case study economies, Turkish experience with development planning was the earliest dating back to 1930s when the first five-year plans was introduced in the country. Although these early plans were mere outline of desirable projects to be implemented, they however, served in guiding the development of key sectors in the economy. Comprehensive development planning started in 1960s with the launching of the First Five-Year Plan (1963-1967). This was followed by the Second, Third, Forth, and Fifth Five Year Plans in (1968-1972), (1973-1977), (1979-1983) and (1984-1989), respectively. One common feature of these plans was that they took stock of the problems encountered in

[13] http://www.country-data.com/

the previous plan and build upon what was accomplished despite the fact that, like in many other countries, many suggested policies were not effectively accomplished.

Policy modifications also took place in the course of implementing of the successive plans. For instance, during the Fourth Five-Year Plan, the government started laying more emphasis on private sector development, labour-intensive production and export oriented projects. It was also during that period the government embarked on the reform process introduced by Prime Minister Ozal due to the financial crisis that challenged the economy at the time. The Fifth Plan saw more private sector participation and less government intervention targeting only investments in infrastructure in key sectors such as energy and transport, and supervisory role in the economy. Turkey continued to implement its Five-Year Plans overcoming various economic crises emanating from both domestic as well as foreign challenges. The current development plan under implementation is the Ninth (2007-2013). During the period 2004 to 2008, the country experienced substantial growth averaging close to 7 percent of annual GDP while GDP per capita increased dramatically by nearly 94 percent ($5.8 in 1994 to $11.2 in 2008). Also during the same period the country has made a significant progress in other aspects of socio-economic development such as poverty reduction and human development as embodied in its indicators of the Millennium Development Goals (MDGs).

Despite the socio-economic progress achieved by Turkey over these years there are still many challenges facing the economy. For instance, inequality as manifested in wide disparities among some regions which necessitated the focus of the current plan to be on forging stronger regional convergence in the country.

In this section we briefly reviewed the development policies in the four study countries as entailed in the development plans implemented over the years. It can be deduced that the policies are somewhat similar in all the countries in terms of their design and objectives.

However, the differences among the countries were on the condition of implementation of the policies and the will of the technocrats, politicians and institution responsible for implementing them. The following section discusses the best practices among the study countries and the challenges and opportunities for replicating them by other less developed member countries.

6: Best practices, challenges and opportunities

From the discussions and analysis presented in the preceding sections, it has been observed that countries that achieved successful structural transformation from traditional sector to modern are those that excelled in economic growth (high GDP per capita). These countries also have been able to perform wonderfully in terms of their level human development (education and health), have positive demographic indicators (low population rate, lower birth and death rates, lower dependency ratios etc.), and have relatively more political stability, less corruption, relatively more diversified economies, higher infrastructural development and have started pursuing export oriented growth strategy earlier.

It could be noticed that the best performing countries under this study seemed to have experienced favourable conditions during the period under study. Firstly, it is observed that countries that enjoyed relatively more stable political system had more stable structural transformation and sustained economic growth and development most likely due to continuity of economic policies. Malaysia, for instance had so far only 6 presidents in its 55 years after independence, Indonesia, 6 presidents in 67 years with the longest serving president spending 23 years for the former (Malaysia) and 32 years for the later (Indonesia), while Turkey had so far 11 presidents in 81 years and Nigeria 14 presidents in 52 years. However, among all the four countries, Nigeria was the most unstable with more than 30 years under military dictatorship. The frequent change in government in Nigeria has negatively affected economic policy formation and implementation as every regime usually

discontinue the previous' policies and tended to design and implement its own. This also affected policy dynamism since the new policies were not normally built upon the lessons learnt on the preceding ones. This might be the reason why Nigeria, for a long time stick to import Substitution strategy, a policy linked the poor performance of the industrial sector in the country.

All the countries under study were oil exporter except Turkey which is a net oil importer. However, both Malaysia and Indonesia were not severely infected with the *'Dutch Disease'* (a situation whereby a country neglects the real sectors of the economy such as agriculture and manufacturing and focus on rents from sales of hydrocarbon products (oil & gas)). That may explain the reason why despite designing comparably excellent policies to those in similar countries, development policies in Nigeria were never effectively fully implemented due to preoccupation of the politicians and technocrats with rent seeking activities in the oil sector and endemic corruption. However, all the three countries successfully diversified their economies from mono-culture depending on raw material exports and break away from the colonial prescribed industrialization policy of import substitution. Turkey, being the oldest country among the three, started its industrialization drive earlier followed by Malaysia and Indonesia in the 1970s and 1980s. Nigeria on the other hand is still more than 90 percent dependent on revenues from sale of oil and gas.

We also observe that there is a wide gap between the three countries and Nigeria in terms of human development which is very essential for sustainable economic growth and structural transformation. Human development is necessary, among others, for effective inter-sectoral labor migration (rural to urban and between sectors) which is one of the key features of structural transformation. While all the three countries successfully implemented their universal education program earlier (above 99 percent), Nigeria is yet to catch up. Available data has shown that the country is lagging behind in all the indicators.

Therefore, the key to successful structural transformation and overall inclusive development is to pursue human development (education and health), develop the agriculture sector, maintain positive demographic indicators (manageable population growth, lower birth and death rates, lower dependency ratios etc.), have political stability, less corruption, diversified economy, invest in infrastructure and pursue export oriented growth strategy based on comparative advantage and active private sector.

8: Conclusions and recommendations

The analysis presented in the preceding sections has shown that countries that were able to achieve sustained economic growth and development, and exceptional poverty reduction were those that succeeded in effectively transforming their productive activities from low to high productivity sectors; and diversified their economies from monoculture, depending on export of a single natural resource or a number of agricultural raw materials, to manufacturing and exports of finished products. It has also been observe in the above discussions that Malaysia and Turkey had some advantages over Nigeria and Indonesia in terms of political stability, human development and economic management as well as demographic transformation. In fact, Indonesia was also better placed than Nigeria in terms of these factors. These factors helped these countries to be able to have sustained economic growth, structural transformation and be able to substantially reduce poverty. The stability of government (be it civilian or military) over a sustained period of time, having the will for changing the productive structure in the economy, enables the country to develop solid foundations in form of provision of basic infrastructure, human resource development, legal and other institutions that support effective and efficient functioning of the market.

In view of what has been discussed above, the paper makes the following recommendations for OIC member countries that are yet to achieve structural transformation:

(i) Intensify efforts in diversifying their economies from mono-cultural to modern manufacturing and exports. Over dependence on a single or few export commodities such as oil leads to rent-seeking activities and corruption among the political leaders. Over-dependence of a single export commodity exposes the economy to cyclical fluctuations due to the vagaries of the international market which hinder structural transformation.

(ii) Develop the agricultural sector by increasing spending on agricultural research, using suitable technology and agricultural extension so as to increase productivity which leads to a stable structural transformation.

(iii) Provide necessary infrastructure facilities such as electricity, water, and roads for the successful take up of the economy. It has been observed the most challenging development problem of developing countries is shortage of infrastructure and that solving this problem is the key to solving their development issues. It is therefore, recommended that member countries emphasis reducing the infrastructure bottlenecks in their development planning in the next coming decade.

(iv) Deepen efforts on human resource development in form of provision of primary and secondary education, and basic primary healthcare to all the people. As discussed above, underdeveloped human resource hinders movement of people between rural and urban areas and among the sectors of the economy. This is because an illiterate or unhealthy person cannot take up jobs in the modern sectors that require some level of education and fitness. These are also necessary even in modern agriculture. Member countries should therefore pay more attention in human development (education and health).

(v) Foster stable political system and good governance which provide conducive atmosphere for structural transformation and sustainable growth and development. A

stable and less corrupt government provides conducive atmosphere for effective policy formation and implementation in a country as well as for continuity of successful policies. It also offers opportunities for correcting mistakes and building upon successes. The pursuit of good governance and eradication of corruption in member countries should be the priority of member countries and the OIC should encourage its members and the IDB to follow the suit of other MDBs in playing more active role in this regard.

(vi) Design and implementing viable policies that foster stable population growth and labor migration among regions are essential for labor mobility which key to structural transformation. It is therefore recommended that governments facilitate smooth demographic transition through pursuing the relevant population planning. There is also the need for pursuing policies that aim at raising productivity of the productive factors which is very essential factor in structural transformation and also a key to sustainable economic growth and development. In fact structural transformation is all about raising productivity and movement of resources from the lagging sectors to more efficient ones. This should therefore, central to the development plans of all member countries.

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