

## **Comparative Development of Indonesia and Nigeria in the First Two Decades of Democracy: Divergence or Convergence?**

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### **Abstract**

Indonesia and Nigeria are considered suitable candidates for comparative analysis because of their similarities in natural endowments and geographical attributes, demography, economic structure, sociocultural diversity, and political history. Indonesia began to achieve rapid growth in the 1980s while Nigeria did not. During that period, economic policies in the two countries diverged, and this led to sustained economic growth in Indonesia and prolonged economic decline in Nigeria. However, as the countries transitioned to democratic rule in 1999 following the collapse of authoritarian regimes, some aspects of their political and economic trajectories revealed a trend towards convergence. Using the descriptive comparison of secondary data, the researcher analyzed those converging paths and the areas where the divergence continues. The study concludes that despite exhibiting more signs of convergence and dealing with similar challenges, the impact of initial conditions is likely to influence the developmental efforts in Indonesia and Nigeria.

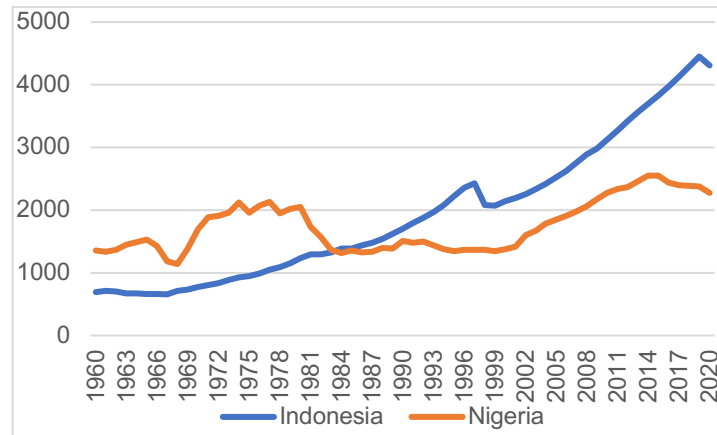
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### **INTRODUCTION**

The uneven economic development of comparable countries in Southeast Asia and Sub-Saharan Africa is a pertinent development issue that attracted the attention of scholars, policymakers, and the international donor community. Indonesia and Nigeria exemplify the most notable variation in the economic performance of two comparable countries. Indonesia began to experience modest growth in the 1970s, and by the early 1980s, the Indonesian economy had caught up and outstripped Nigeria's economy for the subsequent decades (see Figure 1). Since the observation of this remarkable bifurcation of developmental paths between Indonesia and Nigeria, comparative studies (Pinto, 1987; De Silva, 1996; Thorbecke, 1998; Bevan et al. 1999; Lewis, 2007; Fuady, 2012; Henley, 2015) have emerged to explain the reasons for these trajectories.



**Figure 1.** GDP Per Capita (constant 2010 US\$)  
Source: World Development Indicators, World Bank.

The studies identified multiple factors rooted in structural, institutional, and political constraints as well as policy choices (of governing elites) that may explain the development divergence between these comparable countries. The initial attempt at this research endeavor was to examine the countries' policy response to oil shock in the 1970s to 1980s (Pinto, 1987; DeSilva, 1996). Different approaches to macroeconomic management in the two countries, especially exchange rate, fiscal, and trade policies, were decisive in explaining the contrasting economic performance. The significance of these policy variables is first manifested in agricultural development. The agricultural sector contributed to Indonesia's rapid economic growth with a devalued currency, sizeable public expenditure, and trade openness (DeSilva, 1996; Thorbecke, 1998). This promising growth potentials attract investments to Indonesia, mainly in the labor-intensive manufacturing sector.

In contrast, Nigeria applied the flipped side of the same policies favoring industrialization, which was unfortunately pursued at the expense of rural and agricultural development. It seems to lay the foundation for economic decline with the ripple effect on high poverty incidence and deterioration of living conditions. Some of the explanations for the contrasting policy under similar conditions suggest that the focus on rural development and macroeconomic stability in Indonesia was because it has experienced social instability and economic crises of a proportion that is not comparable to Nigeria (Thorbecke, 1998; Bevan et al. 1999). In other words, the adoption of prudent macroeconomic policies was due to the experience of hyperinflation and mass poverty that paved the way for Suharto's emergence as president in the first place. As noted by Fuady (2012), the economic stabilization programs of the '*New order*' were mainly targeted at controlling inflation, ensuring food security, and getting relief from the debt burden.

Further scholarly research to explain why Southeast Asian countries have become richer while Sub-Saharan African countries have not is the Tracking Development Project sponsored by the Netherlands Ministry of Foreign Affairs (Berendsen & van der Veen, 2013). The findings and conclusions of the project were documented in a monograph published by David Henley (Henley, 2015). Henley (2015) argued emphatically that the major reason for the development divergence between the two regions is differences in the policy choices of governing elites in favor of state-led, pro-poor, pro-rural agricultural development. According to Henley, the simultaneous attainment of macroeconomic stability, rural

agricultural development, and economic freedom for peasant farmers were the three preconditions for sustained growth with poverty reduction in Southeast Asia. Such conditions were never met in any sub-Saharan African countries studied.

In the three-country pairs analyzed by Henley (2015), Indonesia and Nigeria comparison reveals more apparent variation of economic performance relative to their similarities. Economic policies in the two countries moved in opposite directions, and the economic outcomes correspond to those directions accordingly: sustained economic growth with poverty reduction in Indonesia and prolonged economic decline in Nigeria (Lewis, 2007; Henley, 2015). The common feature of Henley's and other earlier studies is that their comparative analysis has focused on the period between the 1960s to the late 1990s, during which the two countries were under military/authoritarian rule, and the analytical framework is centered around the explanation of the possible factors responsible for success in Indonesia and failure in Nigeria. However, Indonesia and Nigeria successfully transitioned to democratic rule in 1999 following the collapse of their authoritarian regimes in 1998.

The economic growth that Indonesia sustained for an extended period had collapsed abruptly under the weight of the Asian financial crisis of 1997/1998, bringing an end to the authoritarian regime that had been in power for thirty-two years. Nigeria's military head of state also died under "mysterious circumstances" (Lewis, 2007) in less than one month. The year 1998/1999 was thus another historical juncture for both Indonesia and Nigeria as the two countries witnessed a sudden political transformation at the same time. This dramatic shift to a new governance structure has profoundly influenced the policymaking environment, institutional arrangement, and global system approach, suggesting a new watershed for Indonesia and Nigeria. Perhaps, this makes the explanatory insights of the previous studies somewhat retrospective, leaving open questions of how to explain the two countries' trajectories under the present circumstances. Although some of the explanations for the variation in their development patterns may have some merits, democratic governance has brought about dramatic changes in the two countries.

After two decades of experimenting with democratic governance, Indonesia and Nigeria's socio-economic and political trajectories have been dynamic and evincing some seemingly converging paths. The Indonesian economy has been growing at a slower rate under democratic rule compared to the authoritarian regime. In addition, inequality is rising, corruption is rampant (Hill, 2018), and some scholars even concluded that economic growth is no longer pro-poor despite a relative decline in poverty (Timmer, 2018). On the other hand, Nigeria's economy has attempted to catch up with Indonesia (see Figure 1). The country achieved sustained modest growth since 2000, albeit it barely lasted for about a decade. A deeper analysis of this growth may reveal a strong correlation with oil windfalls during the period. Amidst dwindling oil revenues and other factors such as the contentious 2015 general elections, the economy slumped into recession in 2016, thereby reversing the gains made in the preceding years.

The experience of the two countries in the last two decades exhibits some mixed patterns that require new insights to better assess the divergent paths and potential areas of convergence. The main objective of this study is to examine the elements of convergence and divergence in the political economies of Indonesia

and Nigeria, given the similar political and economic conditions they face. As an entry point to the analysis, the next section briefly discusses the rationale for comparing the two countries, followed by the method used in conducting the analysis. Subsequent sections discuss the study's findings, which involve comparing the social indicators (demography, mortality, and life expectancy), economic structure and trade, and economic policymaking in the two countries.

Indonesia and Nigeria typify many attributes found in other developing economies, such as natural resources endowments and dependence on primary commodity exports, social diversity, and regional inequality due to spatial distribution of economic opportunities resulting from geography or development policies. Considering these countries as candidates for a comparative study have been well articulated in the previous studies mentioned above. Since the pioneering work of Pinto (1987), there has been a succession of comparative studies of Indonesia and Nigeria. The overall goal of such comparative research has been to explain the differential economic development outcomes in the two countries despite sharing many characteristics. As noted above, the beginning of the new millennium has set the stage for significant transformations in the political economy of these countries, which seems to alter many of the measurement parameters and explanatory variables utilized by the previous literature. Some of these studies (Lewis, 2007; Fuady, 2015) acknowledged the implications of the changes, though their scope mainly covers the period before 1999.

What has been observed, at least during the early years of the democratization process, is that the countries' trajectories show a sign of convergence in their political economies. For example, many similar reforms were initiated in the early 2000s to provide the institutional framework for economic policymaking or promote national unity (such as the decentralization program in Indonesia and the federal structure in Nigeria). The economic policies in the two countries tend to be similar and have been conducted under similar institutional settings in the last two decades, but the outcomes are at best mixed. It is important to reexamine the countries along these and other related perspectives.

## **METHOD**

To gain insights into the changes in the past two decades, the researcher employed a descriptive comparison of secondary data to analyze the trends of the two countries in socio-economic development and economic policies, intending to assess the converging and diverging paths between the two countries. The data comprises numerical and qualitative data obtained through library and internet sources. These include published materials, such as books, journal articles, newspapers, government records, and databases of international organizations. This method can trace the variation in quantitative and qualitative variables over time, thus making it suitable for comparisons.

## **RESULTS AND DISCUSSION**

### **Demographic Changes**

Indonesia and Nigeria have a total population of 273,524 and 206,140 million in 2020, each constituting the most populous country in their respective regions (see Table 1). The proportion of this population living in the urban areas between 1970 and the 1990s was less than 40 percent. However, the distribution of

urban and rural inhabitants in 2020 is almost balanced in the two countries.

**Table 1.** Demography

Year	Total population (millions)		Population change (%)		Urban population (%)	
	Indonesia	Nigeria	Indonesia	Nigeria	Indonesia	Nigeria
1970	114,793	55,982	2.71	2.21	17.1	17.8
1980	147,448	73,424	2.41	2.94	22.1	22.0
1990	181,413	95,212	1.90	2.61	30.6	29.7
2000	211,514	122,284	1.43	2.49	42.0	34.8
2010	241,834	158,503	1.33	2.65	49.9	43.5
2020	273,524	206,140	1.14	2.59	56.6	52.0
2038	315,300	315,215	0.57	2.19	65.6	62.2

Source: *World Population Prospects 2019*, UNDESA.

Before 1980, the population grows faster in Indonesia than in Nigeria. The trend inverted in the subsequent years, and Nigeria's population grew similarly to Indonesia in the 1970s. There are at least two possible explanations for this outcome. First, the population policy of Suharto's new order in Indonesia brought about fertility changes through a family planning program, which is not the case in Nigeria. Secondly, economic development is often accompanied by a demographic transition to lower fertility and mortality rates.

**Table 2.** Health Development

Period	Infant mortality rate <sup>1</sup>		Life expectancy <sup>2</sup>	
	Indonesia	Nigeria	Indonesia	Nigeria
1960-1965	139	173	48	38
1970-1975	105	147	54	42
1980-1985	79	125	59	46
1990-1995	56	126	63	46
2000-2005	37	104	66	47
2010-2015	25	75	70	52
2015-2020	19	62	71	54

Source: *World Population Prospects 2019*, UNDESA.

Note: 1. Infant deaths per 1,000 live births for both sexes. 2. Life expectancy at birth for both sexes (years).

Indonesia has achieved a sustained reduction in infant mortality and significant improvement in life expectancy, especially after the 1980s (Table 2). Nigeria was rapidly tackling infant mortality from the 1960s through the mid-1980s. However, this pace was slowed in the succeeding decades. Life expectancy in Nigeria sharply contrasts that of Indonesia. While the trend in Indonesia reflects continuous improvement over the years- from 48 years in the 1960s to 71 in 2020, Nigeria has achieved a tiny gain in life expectancy over the past six decades (Table 2). The implication of population growth rates is reflected in the annual stock of the population. As Table 2 shows, the size of Indonesia's population has doubled that of Nigeria for several decades. The gap narrowed to about 52.6 percent in 2010, and it is estimated that the population of Nigeria and Indonesia will be identical by 2038. The population dynamics can present an opportunity or a challenge, especially for

Nigeria. Investment in human capital is an indispensable public policy priority if Nigeria is to use the growing population to stimulate sustainable economic growth. The rural-urban influx also requires a coordinated urban development initiative to prevent the emergence of congested and heavily polluted cities.

Indonesia has recently embarked on an ambitious project of moving its capital city to Kalimantan from Jakarta. It is necessary because Jakarta is too congested and rapidly sank below sea level. Although Nigeria has also relocated its capital from the coastal city of Lagos to the centre of the country in Abuja since the late 1980s, the shrinking economic opportunities and deterioration of living standards in the countryside are driving massive migration to major cities, including the capital. The primary sectors which still employ a large number of the populace are challenged by environmental problems and the volatility of the international market.

### Economic Structure and Trade

The economies of Indonesia and Nigeria were mainly dominated by agriculture and related activities before oil production and export altered this agrarian status by the early 1970s. It was, however, accompanied by a shift to the manufacturing sector in both countries. Although manufacturing output increased in Nigeria until the second half of the 1980s, it began to decline continuously and contributed less to the economy. By contrast, Indonesia's manufacturing performance has been sustained since 1985 (see Table 2).

**Table 2.** Sectoral share of output (value added as a percentage of GDP)

	Indonesia			Nigeria		
	Agric.	Manuf.	Services	Agric.	Manuf.	Services
1985	23.8	16.4	41.9	18.2	21.1	47.3
1990	21.5	19.9	39.1	21.6	17.8	42.0
1995	17.1	24.1	41.1	25.5	20.0	37.0
2000	15.7	22.7	33.4	21.4	13.9	43.8
2005	13.1	27.4	40.3	26.1	10.1	44.7
2010	13.9	22.0	40.7	23.9	6.6	50.8
2015	13.5	21.0	43.3	20.6	9.4	58.1
2020	13.7	19.9	44.4	24.1	12.7	46.4

Source: World Development Indicators, World Bank.

However, the share of manufacturing in GDP somewhat declined in Indonesia, particularly since 2010, while the contribution of agriculture to GDP remains steadily below 15 percent (Table 3). As Table 3 shows, the services sector emerged as an important engine of growth in Indonesia (see Hill, 2018 and Booth, 2016 for discussion on some factors that explain the shift to the service sector in Indonesia). The services sector also grows rapidly in Nigeria and contributes a larger percentage to economic growth (Figure 3).

In terms of export trade diversification, hydrocarbons dominate Nigeria's merchandise exports (NBS, 2021). At the same time, the Indonesian economy appears relatively diversified, with the share of manufactured goods and articles indicating a larger amount in total exports (BPS, 2020). Nigeria's oil exports' addiction' and its importance in the Nigerian economy have even qualified as the best example to explain one of the word 'staple' meanings in the Longman

Dictionary of Contemporary English (see page 1616).

### **Economic Policymaking**

In democratic countries, such as the two studied here, economic and other public policy decisions are beyond the domain of a single or small group of policymakers. Policy decisions are conducted through a political process involving multiple actors within and outside government administrative structures. The extent to which interaction among these actors in the policymaking process (from policy deliberations to approval and implementation) results in optimal policy prescription depends greatly on the quality of institutions (Spiller, Stein, & Tommasi, 2008).

In Indonesia and Nigeria, democracy has brought about dramatic changes in the way policies are formulated, approved, and implemented. For economic policymaking, the two key institutions are the central banks and the finance, budget, and national planning ministries in the two countries. It is not to say that the policymaking process begins and ends with these institutions. The central banks in both countries, at least in principle, have the autonomy to formulate and implement policies without interference from the government. However, the ministries are directly supervised by the executive arm of government and may, for reasons of power separation, be subjected to the oversight function of the legislature. Nevertheless, the initiation phase of the policymaking process takes place at the level of these ministries before it is subsequently deliberated upon, approved, and implemented.

Indonesia's transition to a decentralized democratic country has brought about institutional reforms and a new arena for economic policymaking. Multiple stakeholders and different layers of processes are now involved in designing and implementing public policy. Political conditions play a crucial role in deciding, approving, and implementing the policies. Aswicahyono, Bird & Hill (2009) explored seven critical factors that characterize the policymaking environment in Indonesia after the Asian financial crisis compared to the prior 'New order' regime. *First*, the exit of Suharto as Indonesia's president after consolidating power for thirty-two years has opened the doors of competition for the presidency, which results in frequent power shifts through periodic elections or impeachments. It means the president's power is relatively weaker than during Suharto's reign. Mcleod (2005) argued that "with Suharto's demise, Indonesia gained democracy. People can change governments regularly but lose government effectiveness in doing what is required to promote rapid growth."

*Second*, the diverse interest and backgrounds of cabinet members make consensus difficult on a specific course of action and thus, cause internal disunity. *Third*, the legislature (Indonesian Parliament) has gained influence and become more powerful, unlike the 'rubber stamp' it used to be under Suharto. The implication is that when the president's party has fewer seats in Parliament, the passage or amendment of government bills tends to be delayed or rejected. It means the members of the Parliament have to be nudged constantly to consider executive requests. *Fourth*, a more active civil society has emerged thanks to the freedom of the press and association brought about by democracy. The pressure groups watch government actions to prevent outright abuse of discretionary powers. *Fifth*, the bureaucracy, which hitherto operates with limited or no constraint from the Parliament, now comes under legislative scrutiny and often suffers political

interference that may negate bureaucratic efficiency.

*Sixth*, the factor has to do with the lack of capacity of the legal system to handle the vast task of dispensing justice, especially in matters involving large-scale disputes in the financial system. Under Suharto, cases of such magnitude were resolved at the higher echelon of the political hierarchy without necessarily going through the legal system. Lastly, the decentralization program devolved power and resources from the central to the subnational governments. It calls for the need to coordinate the roles of the different levels of government in implementing national policies, which may sometime prove tricky. These features of the Indonesian political landscape demonstrate the complexity of pursuing economic policies, especially those that involve radical reforms that the benefits are likely to be realized only in the long run. Unlike during Suharto's reign, when a small circle of technocrats designed objectives policy and strategies implementation only needed the president's approval, the economic policy now involves multiple players. It must be supported by many other stakeholders, which often results in delays and uncertainties (Aswicahyono et al. 2009).

The processes of making economic policies in Nigeria are not fundamentally different from that of Indonesia in the past two decades. Much of the factors that could influence economic policymaking in Indonesia discussed above apply to Nigeria. In addition, both countries embarked on many similar institutional reforms after the democratic transition, with existing laws amended and new ones enacted. It implies that both countries' policymaking processes and institutional settings are the same. The subsequent sections discuss the exchange rate and fiscal policies conducted by the Central Banks and the Finance, Budget, and National Planning ministries of Indonesia and Nigeria.

### **Exchange Rate Policy**

The choice of exchange rate policy in Indonesia may be influenced by some of the country's economic and political structures. *First*, the economy is open to international capital flows, which means investors can be attracted by profitable investment opportunities in the financial markets. It leads to capital inflow and may cause the currency to appreciate. The reverse will happen if a higher-yield financial instrument is offered elsewhere, such as an increase in the United States interest rate. Thus, a sudden outflow of capital can cause a dramatic downslide of the currency.

*Second*, primary commodities make up a substantial portion of the export composition of Indonesia, which are prone to fluctuation ('boom and bust cycle') in the international market. A commodity boom could generate windfalls which may be reflected in currency appreciation. *Third*, in addition to the dependence of the manufacturing industry on imported inputs and raw materials, Indonesian manufactured goods face stiff competition from cheaper products from China and other Asian neighbors, such as Vietnam (Wie, 2012). Some studies blame the concurrent appreciation of the rupiah and an 'undervalued' Chinese currency-yuan for Indonesia's deindustrialization (Nasution, 2015). However, given the rising labor costs and the development pattern in China, there is a potential for some foreign direct investment to flow into Indonesia in the foreseeable future.

*Fourth*, democracy has accorded a greater voice to the people and room for political contestation. Thus, political considerations in the policymaking process,



such as election period and interest group pressures, could influence exchange rate policy. These circumstances highlight some potential challenges of exchange rate policymaking in Indonesia and other developing countries with similar characteristics. An optimal exchange rate policy is expected to promote export competitiveness, capital inflows, and domestic macroeconomic stability (Rusydi & Islam, 2007). In the aftermath of the Asian financial crisis, Bank Indonesia conducted its monetary policy function under an Inflation Targeting Framework (ITF) and a 'managed floating' exchange rate policy (Ascarya, 2011; Nasution, 2015; Basri, 2018). The ITF constrains the central bank to ensure accountability to the public by disclosing future forecasts of the inflation target and the monetary policy instrument for achieving those targets (Ascarya, 2011; Nasution, 2015).

In principle, a floating exchange rate system does not require large external reserves because the central bank has little need for market intervention. However, because Indonesia is a primary commodities exporter, Bank Indonesia continues to "accumulate large foreign reserves to respond to sudden shocks emanating from the international market" (Nasution, 2015). The reserves rose to US\$130.5 billion in May 2020 (Gorbiano, 2019), and exactly twelve months later, that is, by the end of May 2021, the amount stood at US\$136.398 billion ([www.bi.go.id](http://www.bi.go.id)). In Nigeria, the exchange rate policy is also the responsibility of the country's apex bank, the Central Bank of Nigeria (CBN). The legal and institutional framework for the CBN operation has evolved through several changes and amendments since its inception in 1959. With the enactment of the CBN Act 2007, the bank has been granted independence in the discharge of its functions, among which is to "maintain external reserves to safeguard the international value of the legal tender currency" (Central Bank of Nigeria Act, 2007, p.A65).

In 1986, Nigeria adopted a flexible exchange rate regime. Since then, the naira has been volatile and mainly on a downward trend, reflecting the extent of the country's exposure to external shocks emanating in most cases from crude oil price fluctuation in the international market. The CBN has been the leading supplier of hard currency in the foreign exchange market, and Nigeria's dominant source of foreign exchange earnings has been the sale of crude oil for the past five decades. Consequently, the ability of the CBN to intervene and stabilize the naira's value is determined by the size of the country's foreign reserves. As noted above, the reserves depend heavily on crude oil proceeds. Therefore, when oil prices fall sharply, the CBN risks depleting the reserves to prevent a dramatic decline in the Naira value.

### **Exchange Rate and Exports.**

Indonesia's impressive growth in the decades before the Asian financial crisis was primarily attributed to the export of agricultural and manufactured goods, which was stimulated by a devalued rupiah. However, recent studies have revealed mixed evidence on the effect of rupiah depreciation on Indonesia's exports in the past two decades. Some studies argued that the appreciation of the rupiah exchange rate and its degree of fluctuation negatively affect Indonesia's exports (Cali & Nedeljkovic, 2018; Putra & Narjoko, 2019), suggesting that a weak rupiah helps Indonesia-manufactured products regain competitiveness in overseas markets (Sentana, & Made, 2015). Other authors however, find no effect of exchange rate level on Indonesian exports, and that "exchange rate manipulation policy is not an

important factor in strengthening the competitiveness of Indonesia's manufacturing exports" (Rasbin et al. 2021).

In contrast to the strategy of exchange rate devaluation adopted in Indonesia to promote exports in the 1980s-1990s, Nigeria had never devalued the naira to stimulate exports. Where devaluation occurs, it is mainly an attempt to converge the multiple naira exchange rates. Nigerian policymakers have consistently argued against naira depreciation because crude oil is the country's main export commodity that generates the most considerable foreign exchange earnings. As such, imports become more expensive when the naira is devalued, causing inflation. Indeed, the exchange rate is more important for the price competitiveness of the country's products. However, like in Indonesia, the exchange rate in Nigeria has little effect on agricultural exports (Ammani, 2012; Oyibo et al. 2014; Adekunle & Ndukwe, 2018; Oboh et al. 2019). However, some studies suggest that the exchange rate generally affects agricultural sector performance (Akinniran, 2016; Ogunjimi, 2020) and, particularly, the exports of cash crops, such as cocoa (Essien et al. 2011).

### **Fiscal Policy**

After the Asian financial crisis and democratic transition in the early 2000s, the conduct of fiscal policy in Indonesia has been transformed through many reforms in public finance management and other aspects of governance and public policy. The budget document results from a series of deliberations among stakeholders within and outside government. The decision is a political process involving multiple actors exercising varying degrees of influence over what is included in the budget or not. In Indonesia, the budget process starts at the formulation stage, where BAPPENAS and the Ministry of Finance set the agenda and prepare a proposal, which is then submitted to the Parliament for discussions with the line ministries. The national budget in Indonesia is now a single consolidated budget, which is a departure from the previous system, where the budget was divided into the routine and capital development components (Blöndal, Hawkesworth & Choi, 2009).

Indonesia's central government's budget proceeds through several steps before it is implemented. The Parliament plays a vital role in the budgetary process from its formulation to implementation. However, the initiation of the budgeting process begins at the National Planning Agency and the Ministry of Finance level. These institutions identify government priorities, develop medium and long-term plans in coordination with other ministries and agencies and translate those plans into a budget proposal. In Nigeria, the 1999 constitution and fiscal responsibility act 2007 provide the legal framework for preparing and implementing the annual budget. This framework also specifies the roles of institutions (executive and legislature) and actors in the budgeting process. Similar to Indonesia, the annual budget in Nigeria transcends many stages within the executive and legislative arms of government before becoming a legally binding policy instrument.

### **CONCLUSION**

Indonesia and Nigeria have long been considered natural candidates for comparative analysis, especially in economic policies and performance. The comparison was initially triggered when Indonesia's economy caught up with and overtook Nigeria in the 1980s while both countries were governed by military

dictators and shared structural characteristics and external shocks. These countries made a successful transition to democratic rule in the same year, 1999. A cursory look at Indonesia and Nigeria's economic and political trajectories in the last two decades shows more convergence in institutional reforms and economic policymaking. However, the two economies' performance in socio-economic achievement is not necessarily the same despite the parallels observed in their political economies and policy choices. Although Indonesia is still grappling with many challenges, it exhibits greater resilience and dynamism in institutional reforms and economic stability than Nigeria.

While Indonesia's economy is relatively more diversified, Nigeria is still heavily dependent on oil exports as the primary source of government revenues and foreign exchange earnings. This reputation of Nigeria is used not only as a textbook example in illustrating the phenomenon of the natural resource curse in developing countries but also to explain one of the dictionary meanings of the word 'staple.' However, elements of convergence between the countries appear in the policymaking environment and the institutional arrangements for economic management. Democracy has paved the way for political contestations through the Parliament, civil society organizations, media, and other interest groups.

The divergence in exchange rate policies between the countries reflects their economic structures. However, the goal of preventing currency depreciation tends to overlap, perhaps because of the slight impact of a devalued currency on the export competitiveness of both countries. Fiscal policy formulation processes also exhibit close parallels between Indonesia and Nigeria. In summary, this study demonstrates that the first two decades of democracy in Indonesia and Nigeria suggest a trend towards convergence, even though Nigeria's economic development is yet to catch up with that of Indonesia despite having embarked on a similar struggle to resolve similar challenges in their political economies. The study concludes that differential initial conditions in terms of earlier reforms and policy choices are likely to influence the political and economic development over the long term in Indonesia and Nigeria. One promising avenue for further research is to examine why some old challenges persist in Nigeria, such as exchange rate policy, and what economic policymaking lessons can be learned from Indonesia.

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