

Working Paper 261

**Drivers of Change and Development
in Malawi**

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List of acronyms

| | |
|----------|--|
| ACB | Anti-Corruption Bureau |
| AFORD | Alliance for Democracy |
| Admarc | Agricultural Development and Marketing Corporation |
| CABS | Common Approach to Budget Support |
| DFID | Department for International Development (UK) |
| GDP | Gross Domestic Product |
| HIV/AIDS | Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome |
| MACRA | Malawi Communications Regulation Authority |
| MAFSP | Multi-Annual Food Security Programme |
| MASSAJ | Malawi Safety, Security and Access to Justice programme |
| MBC | Malawi Broadcasting Company |
| MCP | Malawi Congress Party |
| MEJN | Malawi Economic Justice Network |
| MEPD | Ministry of Economic Planning and Development |
| MK | Malawi Kwacha (200 = £1 Jan 2005) |
| MoA | Ministry of Agriculture |
| MP | Member of Parliament |
| MPRS | Malawi Poverty Reduction Strategy |
| MTEF | Medium-Term Expenditure Framework |
| NAG | National Action Group (on the Economy) |
| NEC | National Economic Council (now MEPD) |
| NFRA | National Food Reserve Agency |
| PAC | Public Affairs Committee |
| PRSP | Poverty Reduction Strategy Paper |
| PS | Principal Secretary |
| SADC | Southern African Development Community |
| SGR | Strategic Grain Reserve |
| SPLIFA | Sustaining Productive Livelihoods through Inputs for Assets |
| SWAp | Sector-Wide Approach programme |
| T21 | Threshold 21 |
| TIP | Targeted Inputs Programme |
| TVM | Television Malawi |
| UDF | United Democratic Front |
| USAID | United States Agency for International Development |

Disclaimer

This paper reflects the opinions of the authors, who are also responsible for any errors of fact or interpretation. None of the views expressed should be attributed to IPRAD, ODI or the UK or Norwegian governments.

The paper was first drafted in March 2005. It has been revised in the light of comments but does not make reference to events in Malawi since that date, such as the evolution of the food situation or the state of the political parties.

Executive summary

Introduction

Weaknesses in development programmes are often blamed by donors on the ‘lack of political will’ shown by their partners in country governments. Drivers of Change (DoC) is the name being given to a learning exercise at country level that explores the factors underlying the ‘political will’ problem and how they can be taken more centrally into account in country assistance plans.

DoC analysis is distinguished by setting out in an open, evidence-based way what appear to be the most significant changes in the medium and long term and the underlying factors which shape the incentives for change. It is important to recognise that it is not an exercise in picking winners or a way of discovering decisive once-and-for-all solutions to problems.

This paper, an analysis of the drivers of change and development in Malawi, addresses three large questions:

- Where is Malawi coming from?
- Where is Malawi headed?
- What are the challenges to the aid relationship?

It draws upon the experience, knowledge and internal debates of a diverse multidisciplinary team of consultants; an extended literature search; and a series of key-informant and focus-group interviews carried out in Malawi during 17-28 January 2005. The method is considered effective and reliable because of the opportunities it provides for interactive learning and cross-checking of facts and perceptions.

Where is Malawi coming from?

This section considers Malawi’s trajectory since Independence, with particular attention to the way politics has interacted with economic and social development in different phases. It then explores 1) the impact of these patterns on the quality of policy-making; 2) the role of donors in this; and 3) some implications for understanding the particular situation in the country in early 2005.

Development record and prospects

Malawi’s socio-economic development since 1964 is seen as falling into three phases. The first was characterised by quite rapid economic growth but was based on a (highly dualistic) development policy that was unsustainable in the long run. The second was a phase of economic liberalisation that was no more successful in addressing underlying structural problems and did not avert a decline in per capita incomes. The third, corresponding to President Muluzi’s second term, produced an even worse performance, frequent crises and a steep decline in most development indicators.

At the end of this period in 2004, Malawi was at the edge of an abyss. Apart from the deterioration in the macro-economy, the density of the rural population, patterns of land-use, environmental degradation and the absence of productivity-enhancing measures in smallholder agriculture, are issues of particularly grave concern.

Exogenous economic shocks and geopolitical events in the region have contributed to the deterioration in Malawi's development performance at several points. However, each of these events (the oil shock, the war in Mozambique and the reduction of employment opportunities in South Africa) made worse a process of economic deterioration with domestic structural causes. These could have been addressed by policy but were not. We argue that the main reasons lie in the limited progress that has been made in constructing a developmental state in Malawi.

The 'big bwana' syndrome and the state

Like other countries of the region, Malawi has a hybrid, 'neopatrimonial' state, where there is a framework of formal law and administration but the state is informally captured by patronage networks. The distribution of the spoils of office takes precedence over the formal functions of the state, severely limiting the ability of public officials to make policies in the general interest. While neopatrimonialism may be considered the norm where a modern state is constructed in a pre-industrial context, the African variant has some distinguishing features, such as the 'big man syndrome'. It produces strongly presidentialist political systems (to some degree irrespective of the constitution).

Malawi was a striking case of the big man syndrome under both Banda and Muluzi. The continuities across the political periods dominated by these two men are quite large, despite the transition from personal dictatorship to multi-party politics in 1994. In both periods there was a systematic failure to distinguish between private sector resources, state resources and the resources of the ruling party. Muluzi emulated Banda's political and personal style. The use of 'money power' (distribution of spoils), and political exploitation of men's power over women, were characteristic ways of building and sustaining political loyalties in both periods.

However, the discontinuities are also important, and may not be as well understood as they should be. Banda had a clear and well-articulated development vision for Malawi. This, together with his populism and use of state-sponsored repression, gave his patronage and use of money power a distinctive character. It could be said that, on the whole, patronage followed policy. Under Muluzi, on the other hand, corruption was 'democratised', the accumulation of spoils increasingly assumed illegal forms and patronage *drove* policy to a large extent. A good example of this change in the relationship between policy-making and patronage is the way tobacco policy has evolved. Of the two, the Muluzi approach would seem more damaging to policy coherence.

A maturing democracy?

It is important to consider whether the process of democratisation that started in 1994 is showing any signs of eroding neopatrimonialism, or just adding fuel to the fire. We conclude that democratisation has brought some significant benefits, especially to the urban middle classes. But signs of it beginning to generate a more issue-based, performance-oriented politics are extremely hard to find. The indications of political maturation detected in the Ghana DoC exercise are not found in Malawi. Presidential patronage has been very effective in buying off parliamentarians. Political parties remain weakly institutionalised groupings of the followers of particular personalities. Democratisation is too often both defended and criticised as meaning freedom from previous restraints, not a system where the people rule and there are obligations as well as rights.

The social roots of the political system

Malawi's patronage-oriented political system has deep historical and social roots. Colonialism superimposed elements of a modern state on hierarchical but communal societies, generating powerful legacies including an ambiguous moral attitude towards laws and administrative rules

requiring honesty and professionalism in public (formal state) service. The nature of traditional society helps to explain why abuses by ‘big men’ are tolerated even when very few of the benefits filter down to ordinary people. These social features are also barriers to progressive change in their own right, because of the way they affect incentive to individual improvement in urban organisations as well as rural communities:

- Social relationships are characterised by inequality and a large ‘power distance’. Excessive deference stifles innovation, provides rationalisations for dishonesty where important people are involved, and increases the difficulty of empowering women.
- Collectivism in the value system tends to generate conformism and tolerance of mediocrity. Individuals are expected to know their place, and if they ‘get ahead of themselves’, or stand out like ‘tall poppies’ in a cornfield, they are likely to be cut down by gossip, false accusations and other expressions of jealousy.
- Traditional society has a high aversion to uncertainty and aggressive behaviour, one of whose effects is a low tolerance for dissent. The political watchwords that Banda used to quell opposition (unity, obedience, discipline and loyalty) still have a strong appeal among rural Malawians

Impacts ...

The nature of the political and social order helps to explain a great deal about Malawi’s post-Independence development record. We consider in turn the way it has impacted upon:

- the quality of the country’s public policies for development;
- the country’s capacity to *make* policy, especially coherent, joined-up policies that can be consistently pursued; and
- the climate for private-sector investment and growth.

... on policy and policy capacity

A notable feature of Malawi’s situation is the multiplication of policy documents and an absence of real (implementable and implemented) policies beyond the very short-term. Key initiatives are adopted by presidential candidates and other big men on the campaign trail, with serious consequences for their viability – the recent fertiliser subsidy fiasco is an important example. Personality politics across government prevents co-ordination, while the tailoring of policies and their implementation to maximising opportunities for personal enrichment or paying off political debts compromises their effectiveness. Unnecessary AIDS deaths and needless starvation have been among the consequences.

In these ways, the politics of the neopatrimonial state directly affects the quality of policy. But the indirect effects, via the impact on *policy capacity*, may be even more damaging from the point of view of avoiding a developmental disaster in Malawi. The main issue here is how the politicians have both disempowered and corrupted the civil service, progressively undermining the capacity to generate coherent, technically-grounded policy approaches. We distinguish three elements:

- ❑ politicians’ refusal to delegate, lest they lose the power to use policies for short-term political gain or patronage;
- ❑ a gradual loss of professional ethic in the civil service;
- ❑ the long-term effects of ‘hedge clipping’ and other disincentives to exceptional individual performance.

Most observers agree that the civil service was professional and highly motivated under Banda. There was no doubt there was some stifling of independent thinking, but technical advice was given and taken. Since 1994, in contrast, the president and most ministers have surrounded themselves with political cronies and sidelined senior officials in a way that has de-motivated them and reduced administrative efficiency.

The loss of professional ethic seems to have become extremely generalised in quite a short period. This has various causes but they include the bad example set by politicians and a loss of morale arising from the resource constraints caused by high-level corruption and mismanagement. Those who have the ability and motivation to do a good job tend to leave the civil service. If they do not, they are likely to fall victim to the practice of ‘hedge clipping’ – the civil service equivalent of the cutting down of ‘tall poppies’ in rural communities.

... on the investment climate

Malawi badly needs a recovery of economic growth, and particularly an expansion of the production of tradeable goods (the domestic market is far too small to be a basis for strong and sustained growth). However, the environment for long-term private investment – local or international – is badly affected by the political system. The pursuit of ‘money power’ by politicians damages the macro-economy and encourages the sort of business ventures that are only profitable when competition is restricted. The lack of institutions that would reduce risk, and near absence of public policies to facilitate the large infrastructural investments that Malawi needs, means that local capitalists prefer quick-turnover operations in the service sector, and foreign investors stay out. Ethnic biases may also be discouraging some investors.

The contribution of donors and aid

Aid did not create any of these problems. But donors have made matters worse in a number of respects, contributing to a vicious circle in which the quality of policy and the policy capacity of the Malawi state have become progressively weakened. We distinguish two types of effect. First, Malawi seems to be an extreme case of a pattern of interaction between governments and donors that weakens aid effectiveness throughout the region. The pattern has to do with the logic of the aid relationship, but is often intensified by donor behaviour, as has happened in Malawi. Second, there are also several Malawi-specific issues.

The generic problems can be understood theoretically as the outcome of a bargaining ‘game’. One player (the donor/lender) has economic resources, but is subject to pressures to disburse them and has incomplete knowledge of the situation on the ground. The other (the recipient) has interests that are different from the donor’s and more complete knowledge, providing an ability to avoid or subvert any conditions that the donor imposes.

In recent years, this relationship has generated an on/off pattern of policy-based lending and programme aid that is highly unsatisfactory from all points of view. The use of conditionalities to promote complex reforms in this type of context almost always generates nominal compliance followed by non-implementation or worse. Donors have nonetheless relied upon it in promoting Admarc privatisation, setting up the National Food Reserve Agency and liberalising burley tobacco production. In several cases, reforms have failed both because the government was not really committed to them and because their design was not well grounded in the country reality.

As in other countries but more so than in most, donors have responded to the state’s weak incentive to make policy by increasingly stepping into the government’s shoes, substituting for it in the policy function. It may be that there was no alternative. But in that case the job was not well done.

This is so in two particular ways. First, policy development and advocacy has not been consistent, either through time or across the donor fraternity. Especially in agriculture, individual donor agencies have changed their minds in major ways, but have not been prevented by this from advocating their particular approaches in fairly adversarial ways to other donors and the government. Second, the donor approaches have not been free from the short-termism, competitiveness and personality politics that we have said are characteristic of state policy.

Some other Malawi-specific issues affecting the aid relationship seem to deserve more attention than they have had. They include a decline in mutual respect arising from the loss of government policy direction and donor complicity in this; an unusually low (but, we think, easily corrected) level of aid harmonisation; the fallout from the heavy use of expatriate technical assistance; and certain cultural gaps and misunderstandings.

Some implications in 2005

This paper is not primarily about the current political situation, but the analysis suggests some observations and warnings about the implications of the election of Bingu wa Mutharika as president. Some of the new president's acts have suggested a window of opportunity for the promotion of more sound, developmentally-oriented policies and procedures. That may be the case in some particular respects. However, it seems quite unlikely that Mutharika will be able, even if he wants to, to act entirely without regard to Malawian political tradition – that is, ignoring the institutionalised expectations that give the state its neopatrimonial character. He has fewer political and financial debts to pay off than Muluzi did. However, it is clear that he intends to build his own political following, and his political style has many features of the 'big man syndrome'. What is possible – and probably to be welcomed – is that his approach will be closer to the Banda tradition in some respects than to Muluzi's, with patronage being subordinated to an overall vision. There is scope for both the business community and parliament to influence the outcome of what is likely to remain for some time quite a fluid process of political realignment.

Where is Malawi headed?

This section of the paper has a limited purpose and no large scientific pretensions. It draws heavily on an excellent piece of scenario-modelling work done for Malawi's National Economic Council in 1998 as a follow-up to the Vision 2020 exercise. The modelling is not narrowly economic but includes the interactions between various economic, social and natural-resource sectors. Using the NEC work selectively, we construct three possible socio-economic scenarios for Malawi in 2020.

Three scenarios

A Baseline Scenario is arrived at by projecting trends over the whole period 1965-98 into the future. Since in this period as a whole, policies were characterised by 'inconsistency and muddling through' (that is, much better than 1998-2004), this could be considered a moderately optimistic scenario. However, the outcome predictions are rather dismal. They include a 2020 GDP per capita which is below the current level and no higher in real terms than in 1965.

Our Optimistic Scenario is based on assuming implementation of the best combination of the policy inputs or strategies considered by NEC. The outcome predictions from this scenario are somewhat better, although well short of the Vision 2020 objective of making Malawi a middle-income country.

Using a simple arithmetical calculation, we also construct a Melt-Down Scenario, based on a continuation until 2020 of the developmental performance of the years 1998-2003. The results are

catastrophic. Income per head is lower than at Independence. How much lower it is depends on the assumed population growth rate. It is grimly ironic that the ‘better’ outcomes arise from assuming a continued high rate of AIDS-related deaths.

As well as constructing the three scenarios, we use more detailed NEC work to address the question – highlighted by some of the recent comments of the president and Minister of Finance – of whether there is a conflict between a growth-oriented policy approach and one that gives priority to poverty-reduction. The analysis suggests that if maximising GDP per head is the objective, both of the two ‘pro-poor’ policies considered (one focused on smallholder agriculture, the other on social development) do better than a narrow focus on maximising growth over the period considered. They differ in how soon the benefits start to be felt, with the agriculture-based strategy doing better in this respect.

What will make the difference?

We ask what would be likely to make the difference – what would enable implementation of the well-chosen mix of interventions assumed in the Optimistic Scenario? It is clear that the immediate drivers would be:

- policy consistency;
- long-term vision;
- strong leadership, able to discipline and co-ordinate both donors and different arms of government in line with the vision;
- prioritisation of objectives and resources;
- improved performance of the civil service.

Next, we ask how political incentives would need to change for these features to emerge, and whether this is likely. The answer is in two parts.

First, it is possible to imagine something like the return to ‘inconsistency and muddling through’ that is the assumption of the Baseline Scenario. It would not be easy to achieve, but such a change is conceivable. It would not involve a sharp break with the post-Independence Malawian political tradition – just a reversion to something like the pattern of 1964-98. This could probably be achieved without a dictatorship and other particular features of the Banda regime. It would involve a politics of patronage, but this would not follow the model in which policy is driven entirely by patronage needs.

A much sharper break would be necessary to get the Optimistic Scenario. This would imply the emergence of forces capable of turning a neopatrimonial state into an incipiently developmental one. Such transformations have happened in other parts of the world, but they invariably involve states that are not of purely colonial origin, but have a long and significant history. They draw on a nationalism that is able to invoke powerful and widely shared moral symbols. In Malawi, as in most of sub-Saharan Africa, the colonial origins of the state still bear very heavily on attitudes, and the type of nationalist revivalism that has been so forceful in Asia seems out of the question.

It is for this reason that in Africa, despite the absence of compelling evidence to support the approach, it makes sense to look to the gradual progress of democratic political competition as a source of state transformation. We have suggested there is not much indication in Malawi of democratic institutions working in this way. Effective democratisation may well be too slow to make a difference before the failures of development create conditions in which political change will, instead, take the form of a downward spiral. What is clear is that any support that is given needs to be patient and sustained. There are no short-cuts.

What are the challenges to the aid relationship?

This section of the paper draws out some lessons from the earlier analysis and considers how these findings relate to current ‘theory’ about choice of aid instruments and aid effectiveness. Given the rather dismal projections, this argument is about ways of improving effectiveness at the margin.

We discuss 1) ways of improving the substance of aid policy in Malawi, and 2) ways of working, given the new aid policy agenda.

Improving the substance

On the content of donor thinking about what to do in Malawi, we feel there is a need for the following four things:

- more realism about the long-run nature of the development challenges Malawi faces;
- less certainty and more humility about the solutions;
- more willingness to compromise and support joint efforts;
- more emphasis on political economy as a central focus of country programming.

Donor contributions to policy in Malawi would benefit, first, from abandoning the tendency to believe in quick wins and easy solutions, especially in respect of the population-land-food nexus. Second, Malawi’s uniquely difficult agro-economic conditions call for more than usual professional humility from all those claiming to offer policy remedies. Mechanical application of the latest fashionable idea in the aid world is a bad idea. There is no solidly grounded consensus on many of the issues, and research-based thinking is changing fast.

Third, there is anyway a need to accept compromises and what may be regarded as second-best solutions for the sake of agreement and a consistent approach over a reasonable period of time. Appropriate compromises need to take into account not just technical differences of opinion, but also local political and political-economy considerations. There are some good examples of the gains from compromise in the history of reform in Malawi. And there are major recent examples of the negative consequences of not accepting the second best (maize input policy).

Last but not least, political economy needs to be taken seriously into account in the design of all components of all donor programmes. Things can go very seriously wrong if donors initiate reforms and then fail to ‘keep their eye on the ball’, either by not anticipating at all the normal workings of the neopatrimonial political set-up, or by pretending that their responsibility ends with the technical side of the design. What happened with the National Food Reserve Agency, Admarc and the Strategic Grain Reserve during the 2001/2 is an important illustration.

It is also essential that helping to change the political economy of the country becomes a central objective of donor country programmes. This does not mean political conditionality. Nor does it mean working only on democracy and rights. It means working patiently with partners in any area where support to democratic development or rebuilding the policy capacity of the state seem viable. In terms of entry points, there is little to suggest that has not been tried at some point since 1994. A priority is to extract all relevant lessons from the projects that have been supported in the past in respect to parliament, the judiciary and constitutional bodies; political parties; civil society; mass media; civic education and rights work.

We suggest that this might lead to an approach that breaks with past governance and rights work in emphasising:

- the vital need for a long-haul commitment, not ad hoc responses, based on a clear understanding of the political economy;
- the importance of a proactive engagement by donor advisory staff in identifying specific issues on which incremental changes in incentives or a real constituency for change exist;
- the need for a learning-process approach, where incentives to use information for learning purposes are built in; and
- programme designs that allow a low-cost switching of method or addition of components when initial assumptions are called into question.

Giving political economy and state-transformation a central place in the country programme as suggested here would certainly involve maintaining a substantial portfolio of projects. It would also involve managing them in quite a different way.

Ways of working

In the Malawi context, it is easy to be cynical about the new aid policy agenda – building country policy ownership, aligning programmes with PRSPs, adopting programme modalities (SWAps and budget support) etc. However, the analysis in the paper does not suggest cynicism with respect to the international agenda. It confirms the validity of these principles and objectives, but suggests the vital importance of not pursuing them mechanically, and of not confusing ends and means.

Aid harmonisation can and should be pursued more vigorously. It would be helpful if any initiatives to improve harmonisation could be informed by a joint agreement on the main points of this paper about the way donors have responded to the state's low policy capacity.

The objective of increased *policy ownership* is highly relevant to Malawi, but there is much to do. This means engaging, proactively and at all viable entry points with the structural determinants of the weak policy capacity of the state. The PRSP revision process may be able to contribute something to this, but it is vital that the PRSP is seen as a means to an end, and not as an end in itself. In any case, the next MPRS will need to be quite different from the first one in a number of respects.

The Malawi experience does not invalidate the theoretical argument in favour of SWAps and budget support either. But the theory suggests quite stringent conditions for the benefits of these aid modalities to be realised. *SWAps* presuppose a degree of self-interest in pooled effort and strategic policy thinking among sector stakeholders. The DoC exercise provided only a very limited basis for assessing whether these conditions exist in major sectors in Malawi. However, on the face of it, in agriculture there are some more basic tasks to be undertaken to get policy back on its feet, while the education sector does not appear to enjoy any of the basic preconditions.

In respect of *budget support*, it is worth distinguishing:

- ◆ 'traditional' programme aid with objectives limited to macro-economic stabilisation and directly related policy reform; and
- ◆ new-style direct budget support, viewed as a means of financing the implementation of a PRSP and enhancing relevant government capacity.

We argue that the current bilateral budget support to Malawi is of the first sort, and that it is important not to let it be confused with the second. In other words, current budget support in

Malawi has to rest on the more limited, ‘traditional’ rationale for programme aid, which is about mitigating the impact of a very bad macroeconomic situation (thereby improving the climate for a recovery of business confidence) and/or creating space for specific reforms of a limited sort – e.g. restoring a formal budget process. A feature of this sort of programme aid is that it does not have hegemonic ambitions and has usually been accompanied by a large portfolio of projects or sector-programmes.

The DFID project memorandum expresses a clear rationale for budget support which is of the first, traditional and limited, type. Correspondingly, there is no DFID policy in Malawi to move aid into budget-support channels and out of other modalities. However, this may need to be stated more frequently and plainly in order to overcome what we found to be a fairly widespread belief that sound projects are being wound up in favour of budget support.

If it is accepted that current programme aid is of the limited sort, it makes sense to keep conditionalities very light and focused. That is, it is correct not to use the relatively elaborate type of Performance Assessment Framework that has been devised for budget support programmes in other countries of the region. It is also appropriate not to have a formal and automatic link to the IMF programme, for the sake of the predictability of flows and to reduce the likelihood of unhelpful disbursement pressures on the Fund.

The kind of country programme that is suggested by the Drivers of Change and Development analysis could only be delivered by a *decentralised office*. A further requirement is the hiring of high-calibre staff, who are prepared to be very actively engaged in the local, social and political milieu. Ways need to be found of making sure that all professional staff are informed by an adequate political economy perspective on the country, including detailed learning about ‘who is who’ in current patronage networks. Finding better ways of using local staff and more reasons for getting out of the office are among the steps that could contribute to this.

It is a fair observation that these suggestions are not commensurate with the scale of the development challenges and political-economy problems identified in the country analysis. That is a common complaint about Drivers of Change studies, but one that may reflect the limitations of any country-focused exercise. A concluding suggestion is therefore offered – that policy actions commensurate with the identified problems would need to be undertaken at the *international* level. A co-ordinated effort on a continental scale might alter the incentive structure facing the leaders of countries like Malawi in a way that donor action at the country level cannot.

1 Introduction

1.1 Drivers of change analysis: its purpose and limits

Donor organisations are accustomed to explaining away the failure of their programmes by referring to a ‘lack of political will’ among their country partners. They tell themselves that things go wrong because partner governments are unwilling or unable to change. The risk that this will happen is considered in designing programmes. However, programmes seldom attempt to deal directly with the sources of the problem. The underlying reasons for the apparent unwillingness of country stakeholders to confront the need for fundamental change are rarely examined. Instead, country assistance plans rely on ready-made formulas based more on where donors think the country *ought* to be, than on serious analysis of where the country is, where it is coming from, or where it is heading.

Drivers of Change is the name that some donor governments are giving to a learning exercise at country level that recognises these weaknesses and tries to overcome them, by **reversing the relationship between country-focused understanding and programme design.** It is an effort to adopt a more historically-informed, less technocratic approach to aid policy, focusing on the way change happens, and how economic, social and political factors interact over the long-term. It involves standing back from every-day tasks to pose some hard questions about how donor organisations relate to institutions and actors in the country. It invites the staff of development agencies to ask questions not only about their in-country partners, but also about themselves, how well they know the country, what impact they have and how they are perceived.

The name ‘Drivers of Change’ does not convey very well the purposes and likely limitations of an exercise of the sort just described. The phrase originates in studies in Asian countries that were being undertaken at the same time as DFID was becoming interested in dealing more systematically with the ‘political will’ problem. It has several disadvantages, including an implicit suggestion that developmental changes are normally the product of a limited set of identifiable factors or forces, which are powerful enough on their own to push most of the expected obstacles aside. In other words, there are usually *drivers* of change out there, if only we can discover them. In sub-Saharan Africa at least,¹ there is little evidence that the world is like this.

The search for ‘drivers’, in this context, can easily contribute to the tendency to believe in simple, once-and-for-all solutions to development problems. It is our belief that what Drivers-of-Change analysis provides is a powerful antidote to that tendency – a better appreciation of the interlocking causes that make progressive change so difficult in some of the poorest developing countries, including the ways in which the efforts of donor organisations can become part of the problem rather than a source of solutions. What distinguishes this type of exercise, therefore, is the seriousness of its engagement with the country reality. **What sets it apart is its willingness to set out in an open, evidence-based way what appear to be the most significant changes in the medium and long term and the underlying factors which shape the incentives for change.**

1.2 Scope and method of the Malawi exercise

The Royal Norwegian Embassy, British High Commission and DFID Malawi invited a team of consultants to undertake a Drivers of Change and Development study in the country during January 2005. **This exercise was intended to complete a process which began in early 2004 with the**

¹ The spread of private tubewells in Bangladesh, or the decollectivisation of agriculture in China, may be thought of as having driven change in those countries in the full sense of the word.

commissioning of two preliminary studies, a Country Analysis and a study of the politics of the budget process on the eve of the 2004 elections. An inception phase of the current exercise was carried out in late 2004 with a view to defining the added value to be expected from the final consultancy.

The Inception Report argued that the Country Analysis and the budget study provided a good basis for further work. **Ways in which the final exercise could contribute to further understanding were identified under three headings:**

- Where is Malawi coming from?
- Where is Malawi headed?
- What are the challenges to the aid relationship?

These correspond broadly to the headings of the major sections of this paper.

The method of enquiry had three important elements. First, a very experienced multidisciplinary team of consultants was brought together under the auspices of two public-policy think-tanks, IPRAD in Malawi and ODI in London. The team included two economists, one historian, a political sociologist, a constitutional lawyer and a governance adviser. Several team members were able to draw on long periods of work and study in Malawi stretching back over a number of decades. The team worked together for 20 days, two weeks of which were spent in Malawi.

They were guided by an extended literature search and annotated bibliography undertaken by Nambusi Kyegombe and Tammie O'Neil at ODI (see list of Selected Further Reading). This was the second element.

The third was a series of key-informant and focus-group interviews. These were designed to update the team on developments in the country, elicit fresh insights into particular issues, stimulate an exchange of views and provide a 'reality check' on the analysis emerging from the team's own deliberations. Five focus groups were convened by IPRAD, three in Lilongwe and two in Blantyre.² A total of 37 invitees participated. We saw an additional 26 people individually. In all cases, we selected people of outstanding personal calibre and experience, not official representatives of organisations. In several cases, they were Malawians or long-term residents of the country whom team members have known personally for some years.

All of the conversations were conducted 'off the record' and in confidence, providing some assurance that views expressed were frank and disinterested. The diversity of backgrounds and opinions represented within the focus groups allowed some checks on the accuracy of testimony, while the diversity of the team itself meant that conclusions were sufficiently tested and debated.

1.3 A note on sources and acknowledgements

The paper draws heavily on two types of source: written and in many cases published accounts and interpretations; and the views and understandings conveyed to us orally by our informants and interlocutors in Malawi. As well as making full use of the evidence and judgements collected from these sources, we have reached conclusions on the basis of knowledge and exchanges of ideas within the team. It is therefore more than usually necessary to absolve any of our sources from responsibility for the good or bad sense we have made of them.

² The team are grateful to Anderson Fumulani for contributing to the study well beyond his terms of reference as organiser of these meetings.

As regards written sources, we have restrained our natural inclination as academics to provide ample references. As a rule, references are given for direct quotations. We also suggest some short items of further reading at the end of the overview. However, the main text of the paper has been kept free of study aids of these types, to improve readability.

Oral sources are not acknowledged at all, as interviews were often given on a confidential basis. Even listing persons interviewed could be compromising in some cases. We therefore rely on expressing here in a general way, our gratitude to the individuals who spared us their time in connection with the Drivers of Change and Development exercise, as informants, advisers, peer-reviewers or interested friends.

2 Where is Malawi coming from?

This section is about history. It is based on the assumption that understanding well where the country is coming from, in economic, social and political terms, is essential for appreciating where it is likely to go in the future and what kind of help it needs. We suspect that several of the legacies of the way Malawi society and politics have been formed are under-appreciated both by the younger generations of educated Malawians and by international agency staff in the country.

The authors of the Inception Report for the Drivers of Change and Development consultancy thought that three additional elements were required to complete the country analysis:

- ❑ a sense of the trajectory of Malawi society, economy and state since Independence, including paths not taken and opportunities forgone;
- ❑ a view on the specificity of the state and politics in Malawi compared with other countries in the region;
- ❑ an assessment of what change there has been within and between the main post-Independence periods, and whether these constitute a process of progressive political change.

These are the challenges taken up in the first three sub-divisions of this section. We then consider the major implications for the way policies are made; the role of external agents in this; and what this means for efforts to understand and respond to the particular circumstances of Malawi in early 2005. We begin with the main elements of the post-Independence development record.

2.1 Malawi's development record and prospects

2.1.1 Post-Independence phases

From a political point of view, the beginning and end of the Kamuzu Banda dictatorship (1964-94) are the most important turning-points in Malawi's recent history. **However, from the point of view of economic and social progress, Malawi's development since Independence in 1964 falls into three phases:**

- 1964-79;
- 1980-98;
- 1999-the present.

The years **1964-79** were characterised by:

- ❑ *quite rapid economic growth* – the annual average rate of increase in GDP was over 5%, and over the whole period, GDP per capita more than doubled;
- ❑ *growth based on agriculture* – in the absence of a significant private sector in manufacturing or minerals, the government promoted an agricultural development strategy;
- ❑ an agricultural growth pattern *characterised by a severe bias between sub-sectors* – smallholders exploited to drive estate-led growth (estate agriculture grew at annual average of over 10%, smallholders around 3%).

Despite a government emphasis on productive rather than social sectors, there were some improvements in social welfare. Infant mortality declined from around 200 per 1,000 in 1964 to around 130, and per capita daily calorie intake increased from 2,250 in 1964 to 2,400 in 1975.

However, the intra-sectoral bias meant that income distribution was highly unequal and worsening – in the late 1960s the top 10% of the population received over 50% of national income. The Gini coefficient, measuring the overall inequality in distribution, was 0.448 and increasing.

Rapid growth in the fifteen years after independence corresponded to **a development policy that was clear and consistently pursued, but unsustainable in the long run**. Squeezing land, labour and profit out of the smallholder sector (e.g. Admarc's trading surplus on smallholder tobacco, cotton and groundnuts channelled into investments in estates) further impoverished rural households whose land base was being eroded by population growth. Per capita grain production fell from 240 kg per person in 1964 to around 210 by 1979. The population had nearly doubled from 3.9 million in 1965, and there had not been much structural transformation away from agriculture. A series of exogenous shocks in 1979-81 exposed these weaknesses.

The phase **1980-98** – corresponding to the later years of the Banda presidency and Muluzi's first term – was a period of economic liberalisation. This phase as a whole was characterised by:

- ❑ *falling per capita incomes* – although there was a brief growth spurt in 1982-85, GDP growth averaged only 2.5% per year between 1979 and 1996, resulting in a decline in GDP per capita to one of the lowest in Africa;
- ❑ *a policy regime characterised by u-turns and inconsistency* – reflecting frequent clashes between government policy preferences and contrary but shifting donor approaches;
- ❑ *further falls in per capita grain production*, partly reflecting continued reduction in average sizes of landholding – with calorie intake declining as a result, from 2,400 per person per day in 1975 to just under 2,100 by 1996.

In the 1990s government re-orientated its public expenditure away from economic infrastructure towards the social sectors. However, in conditions of low growth, increasing inequality, one of the most severe HIV/AIDS outbreaks and steady environmental degradation, the rate of improvement in infant mortality slowed and average life expectancy fell. Between 1981 and 1995 there was barely any improvement in child nutrition, as reflected in the stunting rate. Free primary education, introduced in 1994, improved enrolment rates but at the expense of pupil/teacher ratios and service quality.

Income distribution continued to worsen in this phase. By 1995 Malawi's Gini coefficient had risen to 0.62 – the third highest in the world after Brazil and Namibia.

Policy was initially guided by Banda's vision and by standard IMF and World Bank stabilisation and structural adjustment programmes. Compared with others in the region, the government was fairly compliant. However, **the measures adopted did not properly address the underlying structural problems (population growth of 3.2%, declining soil fertility, unequal land distribution etc.)**. The resulting low growth, combined with a degree of fiscal indiscipline, had the effect that macroeconomic stability was not restored. Consequently domestic savings and investment ratios collapsed – savings falling to around zero by 1995 and investment to a level that barely replaced existing capital stock.

The third phase, **1998-2004**, corresponding to President Muluzi's second term, was one of even worse development performance and frequent crisis. It was characterised by:

- ❑ an annual average *GDP growth* 1998-2003 of 1.6% – *now markedly beneath the population growth rate*;

- ❑ *a complete break-down of the state's capacity to formulate and implement policy* – massive misappropriation of public resources, collapse of state service provision, extensive fiscal indiscipline and consequent macro-economic instability (inflation averaging 27% per annum and nominal interest rates 44%);
- ❑ in 2001/2 *an acute crisis of food availability* affecting a substantial proportion of the rural poor – reflecting a combination of harvest failure and inadequate emergency measures on the part of the authorities.

The effects of these three phases of Malawi's post-Independence development have been cumulatively damaging. At the end of the third phase (assuming for the moment that we have indeed reached the end), the country faces an extremely perilous situation. In a real sense, it is at the edge of an abyss.

2.1.2 Malawi today: at the edge of an abyss

The abyss to which Malawi's post-Independence trajectory has brought the country is more profound in several particular respects than suggested by the aggregate economic and social statistics above. Three issues are worth singling out:

- the density of the rural population and pattern of land-use;
- the extent of environmental degradation;
- the absence of productivity-enhancing measures in smallholder agriculture.

In the 30 years after Independence the population more than doubled from nearly 4 million to about ten million people. Over this period, **the average population growth rate was 3.3% – significantly higher than the sub-Saharan African average.** The population now stands at 12 million or so. While the uptake of contraception is improving, and HIV/AIDS is decimating certain age groups, some predict the population will double again in 20-25 years. Although urbanisation is accelerating, the bulk of the population still lives off the land, and the land base within the national boundaries is severely limited.

Pressure on the land is the result of a combination of population growth and elite capture (in the form of estates). The principal victims of the situation are smallholders on customary land. In 1996-97, an estimated 9 million people worked some 2m. ha of customary land. Population density ranged between 73.8 persons/sq. km in the (more mountainous) north, 206.3 persons/sq. km in the centre and 207.6 persons/sq. km in the southern region. This gave Malawi some of the most densely populated land in Africa. **Malawi is the most densely populated sub-Saharan African country with a single, short annual rainy season.**

Plot sizes in the customary sector are often too small to feed people using simple hand-hoe maize cultivation, which explains why social indicators show high rates of chronic malnutrition. National figures mask regional differences but tell a sufficient story about the gravity of the relationship that now stands between Malawi's people and their land. 92% of customary land is farmed and 91% of gardens are cultivated (but less than 0.2% are irrigated). Average holding size is 0.8 ha per household, or 0.18 per household member. Under conditions where yields depend heavily on the quality of inputs, only 12% of farmers use improved seed, and only 23% of cultivation uses fertiliser. 48% of households produce one crop only, and 18% employ hired labour. **Thus, the person-land ratio is highly unfavourable and cultivation methods are largely untransformed.**

For many years now, **land pressure has been leading to unsuitable land being opened up for farming, soil being exhausted and trees being cut down without replacement.** As a consequence, heavy rains have been washing soil away from hillsides and river banks and silting

the lakes and rivers. We have considered but do not believe at all plausible under Malawi's conditions that growing population density might induce institutional innovation or technological adaptations, and in this way become a driver of positive change.

Soil erosion is the single most serious environmental problem in Malawi (it is estimated that for every inch of top-soil lost, grain yields are reduced by 6%). While most of the 60-plus forest reserves in the country were created to protect fragile catchment and watershed areas, land scarcity and fuel requirements have led to these areas, as well as mountainous land and stream beds, being encroached upon by farmers, wood sellers and charcoal makers. Overall, it is estimated that between 1972 and 1990 Malawi's forest cover declined by 41% and that it is now being reduced at a rate of not less than 2.8% per annum. At the same time, wild animals have been hunted to extinction, fishing beds have been over-exploited, and contaminants have been released into the water.

Low productivity on the land has not been seriously addressed for many years. There are few oxen and there is little ploughing, hardly any irrigation and in places not even watering cans. Agricultural extension services have collapsed. Access to credit, which has been politicised, is increasingly non-existent for smallholders. Many rural people have little idea how to solve the problems that face them as cultivators. They are generally aware of standard modern inputs (fertiliser and improved seeds). Cost rather than knowledge is the problem in this respect. However, awareness of the more sophisticated farm-management techniques that are necessary to address current environmental challenges is not widespread. The agricultural research institutions are hardly functioning, although even when they were, uptake of their proposals was limited.

In the background to the knowledge gap regarding agriculture, the policy promoting basic literacy and universal primary education is floundering. Educational quality has been seriously compromised, drop-out rates are high, qualified teachers are in short supply, and corruption is reported to be widespread in the ministries responsible for both education and agriculture.

The current land policy is a compromise between a local ideologically-driven desire to retain peasant farming/traditional institutions on the land and the need to raise productivity and meet basic national and household food needs. On paper, the policy has many good elements, including some redistribution of underutilised estate land and resettlement. However, even if fully implemented (a large assumption) **there are doubts about whether the land policy is radical enough and embedded in a sufficiently coherent development-policy framework to rescue Malawi's rural poor from the edge of the abyss.**

Future projections, suggesting how these issues will work themselves out during the years to 2020, are included in Section 3. In the Baseline Scenario, which is moderately optimistic about the prevailing conditions, real GDP per capita in 2020 will be no higher than it was in 1964.

2.1.3 Exogenous and domestic factors in Malawi's development

Exogenous economic shocks and geopolitical events in the region contributed the deterioration in Malawi's development performance in several respects. At the end of the 1970s, Malawi was one of numerous African countries whose economies went into a tail spin as a result of the oil-price shock and resulting deterioration of their terms of trade. Bad weather has often been a trigger of economic setbacks.

In the 1980s, **the Mozambique civil war resulted in an influx of over one million refugees** – equivalent to 10% of Malawi's population, giving the country one of the highest refugee ratios in the world. This caused considerable harm to the natural resource-base (including soils and timber)

in Malawi. It also disrupted access to the Mozambican ports of Beira and Nacala, causing massive transport cost increases. In normal times, cross-border trade, especially in food, and emigration to Mozambique are important for Malawians. The war massively reduced these exchanges.

Apartheid South Africa was an important ally for Banda. **The post-Apartheid transition** deprived Banda and Malawi of aid funds and technical assistance. Since then Malawi has signed all of the regional agreements by which it might expect to benefit from association with the economies to the south. However, it is not clear yet how much benefit will arise from them. In past times, labour migration by Malawians to Zimbabwe, Zambia and South Africa was the most important source of economic benefit from regional links. In the last decade, however, the increasingly difficult economic conditions in those countries have sharply reduced these opportunities.

There is no doubt that Malawi's development has been hampered by changes in the regional context and affected by events over which it has no control, and that this will be true in the future too. Like other countries, it is constrained by its geographical situation and natural resource base. However, it is impossible to explain more than a small part of the story above in these terms. The oil-shock of 1979 was far more damaging than it would have been because of the very poor use that was made by the Malawian authorities of the favourable international economic conditions that preceded it. The Mozambique war (which could be regarded as an own-goal in so far as Banda's support to Renamo helped it to become powerful) made worse a process of economic deterioration with clear structural causes. Although these structural issues are quite challenging, they are *not* of recent origin and they *are* susceptible to policy intervention. The most important influence on them is state policy. So, if Malawi is approaching an abyss, the reasons for this are **a combination of some significant permanent constraints, periodic shocks and long-term deficiencies in the policies or performance of the state.**

In Section 3, where we consider alternative paths of development for Malawi in the future, we take some account again of how the outcome may be affected by regional and other exogenous factors. However, the centrality of policy failure in Malawi's post-Independence trajectory seems sufficiently demonstrated. It follows that the primary task of the analysis in this section is to explain why the policy output has fallen so far short of the challenge, and under what circumstances this may be expected to change. **We think the reasons lie in the political realm and in the limited progress that has been made in constructing a developmental state in Malawi.**

2.2 The 'big bwana' syndrome and the state in Malawi

We start with the state. The state is (according to the standard definition) the set of formal organisations that exercises a monopoly of the legitimate use of force within a territory. The state encompasses the legislative and executive branches of government, central and local administration, the judiciary, police and armed forces. The broad focus on the state rather than on the conduct of government or the functioning of democratic institutions is deliberate and reflects the consensus of the academic literature that states have relatively enduring features that enable certain kinds of political development and restrict others. We deal separately with the question of how far the rules of the game of Malawian politics have moved in the direction of democratic politics, having first set out a view on the post-Independence state compared with other countries in the region.

2.2.1 *The Malawi pattern in regional perspective*

Political scientists studying the state in Africa have made heavy use of the concept of the *patrimonial state*, which is derived from the classic comparative studies of pre-industrial states in Europe and Asia by the German sociologist Max Weber (1864-1920). A pure patrimonial state is

one in which there is no sense of the public good or of public service, but the resources of the state are quite simply the ‘patrimony’ of the ruler and his court.

Throughout sub-Saharan Africa, the post-colonial state has often been characterised as ‘neopatrimonial’. This concept draws attention to two widely noticed features. On the one hand, state resources – bureaucratic positions, and the power to allocate rents, provide services, and determine policies and their beneficiaries – are effectively in the hands of personal or private networks (sometimes called political parties) controlled by dominant patrons. Thus, instead of the state being an instrument governed by explicit objectives and legal rules, it is effectively an apparatus serving the interests of the particular groups and individuals that have captured it. On the other hand, unlike the case of 17th century France or England, the most important parts of the patronage system are informal and unofficial, if not illegal. Formal laws and administrative principles are established. Patronage mechanisms are in conflict with, and not infrequently challenged by commitments to ‘legal-rational’ or bureaucratic state operation. The prefix ‘neo’ is added to indicate that, in this sense, the state has a hybrid character.

An important general implication of a neopatrimonial system is that the state has little policy autonomy. That is, the ability of public officials to formulate and carry out policies in accordance with the public interest is heavily constrained by the requirement to service patronage networks of one kind or another. This can be more or less damaging to a country’s development, depending on the circumstances. On the whole, however, neopatrimonial states are not ‘developmental’ states, although they may become more conducive to development by a process of change over time.

Neopatrimonialism is not restricted to Africa, and has been described in parts of Latin America and southern Europe as well as in Asia. In fact, it may be considered the norm where an attempt is made to construct a modern state in a pre-industrial society. On the other hand, there are certain additional features that have been found to be typical of neopatrimonialism in post-Independence Africa. **Both the general characterisation and the more specific regional characteristics apply very clearly to Malawi since 1964.**

A distinctive feature of modern African neopatrimonialism, according to a large literature, is the so-called ‘big man syndrome’. In many countries, the key levers of the patronage system have been concentrated, sometimes for long periods, in the hands of a single dominant patron – often, but not always, the leader who emerged to unite the country against colonial rule. In this variant, control of the state is not only personalistic but centres on a single person, invariably male, who draws on traditional rural concepts of leadership and dependency as well as (in some cases) an eclectic mixture of international ideologies.

In formal political contexts, the big man syndrome is associated with ‘presidentialism’. This is a pattern in which the patronage powers of the head of state are so great that they effectively neutralise the independent effectiveness of other political and state institutions, including political parties, parliament, the judiciary and the security services. Checks on the accountability of the executive are weak or non-existent as a result. Presidentialism may and may not be enshrined in some of the details of the written constitution. At any rate, the phenomenon it describes should not be confused with the kind of formal difference between, say, the US and UK constitutional rules. Presidentialism in Africa is a manifestation of the big man syndrome, which has roots in the informal political system.

The personal dictatorship of Kamuzu Banda has often been analysed as a particularly clear case of the big man syndrome. However, it may be wiser to regard it as a variant of the big man syndrome that has characterised post-colonial politics in Malawi. In other words, it may be important to begin by identifying what seem to be the enduring features of neopatrimonialism in

Malawi, features that may to some degree distinguish political behaviour in Malawi from what happens in some other countries of sub-Saharan Africa. The degree to which different presidents have ruled differently can then be set in context.

Several particular features of the Malawi variant can be identified. They seem to include the relatively limited role played by explicit ideologies of international origin; a party system of a strongly personalised sort; and a marked tendency to personal aggrandisement on the part of the dominant leader. Both outright ‘money power’ (the direct purchase of political loyalty with cash or other material assets) and sexual exploitation of women appear to play a particularly important role in the mechanisms through which presidents maintain their dominance.

This needs to be qualified in two ways. First, these ‘Malawian’ features obviously provide contrasts with certain other cases within sub-Saharan Africa as a whole. It is less obvious that they are distinctive within the sub-region of southern Africa. For example, quite a lot of the description below might well be considered relevant to Zimbabwe under Robert Mugabe, especially in the most recent period. We would not want to deny this. Second, what we are offering is at this stage a generalisation across two presidencies – the ‘life presidency’ of Banda and the two terms of Bakili Muluzi. It could be argued that this is an insufficient basis for conclusions about a distinctively Malawian system, or for generalisations about ‘how things work in Malawi’.

We would insist, however, that 40 years is not such an insignificant period of time, and that in all events it would be unwise to ignore the likely influence on the present of patterns that have prevailed over such a period. **We think that the underlying continuities between the major political periods in Malawi** – the Banda regime and the multi-party system established in 1994 – **are much greater than appears to casual observers, and that these are rooted deeply in Malawi’s history.** This is not inconsistent with believing that there are also some important discontinuities, which are not well understood. We set out these two arguments in turn.

2.2.2 Continuities in change

Both the general features of the ‘big man syndrome’ and some of its more specific elements were carried over strongly from Banda to Muluzi, despite the democratic transition that separated their regimes. This may be shocking to strong believers in the efficacy of democratic institutions, but is easier to understand when the limited character of Malawi’s democratic transition is explained (Section 2.3 below).

At one level, it is not surprising at all that continuities are noticeable. Muluzi and many of his original cabinet served in successive Banda governments, and that was where they learned how to govern. Muluzi was once the Secretary General of Banda’s political vehicle, the Malawi Congress Party (MCP). He led a group of people with close historical ties who could be regarded as the ‘MCP B team’. The group coalesced in part because its members, many of whom were aspiring businessmen, were individually excluded from the ‘money politics’ of the Banda regime, which centred on the Press Corporation holding company. They sought an alternative avenue to power and wealth, and used the pro-democracy discourse of the early 1990s as a convenient tool. The radicals (university professors, trade unionists etc.) who were also part of the pro-democracy movement that created the United Democratic Front (UDF) were marginalised early on.

Under Muluzi, as under Banda, there was a failure at the conceptual level to distinguish between private-sector resources, state resources and party resources. For example, at MCP rallies and during the President’s Annual Crop Inspection Tour, private vehicles and trucks as well as government vehicles were commandeered to ferry the dancing women and the party faithful to the rallies. Businesses had no choice in the matter. Muluzi did similarly during his ‘development

tours'. Muluzi's use of 'money power' was different from Banda's (see below). However, the general idea that political support has to be purchased with material resources, and that those resources are legitimately – if not legally – acquired as spoils of office showed no signs of being weakened, at least until 2004. Both openly threatened voters with providing no development funds for their areas if they did not support them and the parties' MPs at the polls.³

Muluzi emulated Banda in his personal political style – e.g., calling himself Doctor (he has an honorary doctorate) and surrounding himself with women singing his praises at public gatherings – as if these elements of continuity gave him legitimacy. Banda had called himself the Moses of Malawi. Muluzi was more restrained but used to remark *kumtunda kuno* (getting to me is uphill), and claim to have a 'broad chest' (*wosachepa kaba*) to instill the perception that he was a big man. Although ultimately unsuccessful, his bid to be allowed a third presidential term was strongly in the Banda tradition.

As well as the element of continuity provided by 'money power', the Malawi political tradition created by Banda and Muluzi includes a particularly strong element of male dominance and sexual exploitation.

Women were used politically at three levels in the Banda period. They gave public expression to the personal aggrandisement of the president by the composition and public performance of praise-songs and dances. Every woman was compelled to participate as a sign of loyalty, putting on wraps and dresses with the president's face on them. Through the Women's League, they served as informers for the party at the community (and sometimes family) levels. And they were pressured into providing sexual favours to party leaders and functionaries, particularly when they were centrally encamped for days during party functions. Often good-looking girls and women were chosen to service the quarters of ministers and senior party officials. Sex was understood to be part of the service.

In the post-Banda period, the exploitation was less overt but no less widespread. The practice of women dancing at political functions has continued unabated. Whereas Banda built houses for key women in his entourage, indirectly assuring the loyalty of the men in their family networks, Muluzi often guaranteed loans for women, including the wives of his ministers and other politicians or officials, acquiring both favours and political loyalty in the process. The main difference between Muluzi and Banda was extensiveness of exploitation and the mode of distribution of benefits (other differences between Banda's and Muluzi's patronage systems are discussed below).

Apparently, some men have routinely expected their wives to engage in such liaisons and through them to benefit their families. One can point to several married women who have benefited their families in this way, either by keeping their husbands in prestigious jobs, or by obtaining business contracts to supply goods or services to the government. They are expected to be available to the big man and also remain loyal to their husbands. Jokingly, but with candour, men today criticise the Bingu wa Mutharika regime for not using women. They say cash was circulating through women in Muluzi's era. The brothers and husbands benefited.

2.2.3 *Discontinuities that matter*

We have noted the lack of conceptual distinction between private business resources, public resources and party resources as a common feature of Malawian regimes to date, reflecting a feature of neopatrimonial states more generally. **However, it is equally important to recognise that this**

³ Mutharika has done the same in a by-election since becoming president.

worked differently under the Banda and Muluzi regimes. In some important respects, it was less damaging under Banda despite the latter's greater authoritarianism and brutality.

Banda had a clear and well articulated long-term development vision for Malawi (not necessarily right but consistently documented and implemented). **Policy was driven by this vision and patronage tended to follow from this policy.** The vision consisted of estate sector, export-led growth supported by smallholder provision of land, labour, finance and food, the latter two extracted via Admarc. Patronage was limited to the upper echelons of politicians, civil service and military and did not require blatant corruption to implement. For example, Admarc, Press and the two major commercial banks had interlocking Directorates and hence Admarc profits could go via the banks to Press and favoured politicians without fraud or corruption. Banda and his technocrats developed policies that could be used (not illegally, or necessarily corruptly, though perhaps immorally) to buy off classes/groups/regional loyalists – e.g., estate lands, licenses to grow export crops, bank loans, extension services, trips abroad, school fees, appointments, etc.

The need for excessive patronage was limited by Banda's successful strategy of building legitimacy via populism and state-sponsored repression. Banda used traditional symbolism, gender differentials, and economic and political power to underpin his big man status. Under Banda's populism there was also a sense in which people were made to feel part of the development process. For example, the President's Annual Crop Inspection Tour, when he travelled the length of the country over many weeks meeting farmers and inspecting their crop, was a means of disseminating an ideology of development. The peasantry were promised basics (food, clothes etc.) but not allowed to learn how their standard of living compared to their neighbours'. Hence we can say that patronage was a relatively concentrated affair and, at the risk of over-simplification, that 'patronage followed policy'.

By contrast Muluzi seems to have had no clear long-term vision of a development strategy and policy was comparatively ad hoc. Muluzi initially developed a patronage network amongst those who had been excluded from Banda's circle (later, people who had been close to Banda joined it). They sought business opportunities and their policies seemed to have been dictated more than Banda's were, by the desire to gain. That is, key policies have been adopted simply to facilitate the granting of patronage. For instance, policy for the communications sector (regulation of cell phones and internet services, privatisation of communications enterprises) was moulded by the acquisitiveness of successive Ministers of Information. Policy formulation, the passage of laws and the implementation of policy were constantly delayed to permit wealth and power to be acquired by UDF people. Abuse of laws and state resources served the same purpose. Unlike Banda, Muluzi never articulated a real vision – except poverty alleviation, which was soon mocked as 'politicians' poverty alleviation'. **Consequently, we can say that 'policy has often followed patronage'** (Box 2.1).

Under Muluzi, there was also a 'democratisation of corruption' – that is, a slightly more inclusive co-optation of potential opponents. During the Banda era corruption was highly centralised. Those, such as Muluzi, who were accused of stealing from the MCP or the state were imprisoned. In contrast, during the Muluzi regime corruption with impunity became widespread, starting at the top and reaching down to the lowliest public servant.

The effects on the economy were of a different order. It is said that while, as a general rule, Banda just 'ate the profits' of Press and associated companies, Muluzi's regime reached the stage where both the profits *and* the capital assets of Admarc and other enterprises were being eaten. The logic of the former system included a strong incentive to ensure that profits were made, whereas in the latter the incentive to ensure profitability began to disappear.

Illegal (as opposed to unfair but legal) private acquisition of public resources was more pervasive under Muluzi than during the Banda period. It spread throughout the civil service, whose morale and skills deteriorated along with their wages. That it funded the patronage network and that there was therefore no political incentive to prosecute corruption cases were keys to its continuation.

Box 2.1: Banda/Muluzi: patronage following policy vs. policy driven by patronage

A good example of this distinction can be seen in the tobacco sector. Banda clearly believed that Malawi's success would lie with export-oriented agriculture, especially tobacco. He himself owned tobacco farms and constantly stated that it was the duty of politicians and top civil servants to follow him and set an example to the country by becoming pioneering tobacco farmers. Consequently, resources were made available to them. Banks offered loans on favourable terms. Land was annexed from smallholders. But this patronage followed out of a clearly articulated and quite separately justified policy stance.

By contrast, under Muluzi, there has been no clear policy for agriculture or tobacco. Consequently, policy has been hi-jacked and some important policy changes have occurred as a result of corruption and patronage. For example, the big tobacco leaf buying companies persuaded Muluzi (with suggestions of bribes having been taken by senior government figures) to take steps to move away from the tobacco auctions to direct contract farming whereby the companies buy direct from the producer. In 2002/03 a Presidential Directive was passed to allow one of the companies to bypass the auction floor for flue-cured tobacco, and other companies are now pressing for the same. This has signalled the start of a fundamental policy change in Malawi's tobacco marketing system.

Although it may be a desirable change, the point is that it was a policy change made as a result of patronage and corruption, based on personal deals between people in the regime and in some commercial tobacco companies. It was not the result of policy analysis or a development vision for the sector. Needless to say, no analysis was done either of the implications for marginal smallholder tobacco growers of a move to contract growing, or of the consequences for the government of the loss of the auction as a point of control over the tobacco sector.

Thus, without going outside the fundamental parameters of the big-bwana syndrome, Malawi moved under Muluzi towards a type of patronage that is more damaging to the coherence of government policy. It was more damaging to the country's development both because it was more 'democratic' and because the policy-patronage relationship had been reversed.

2.3 A maturing democracy?

In the Inception Report, it was argued that an important task for the Drivers of Change and Development study would be to assess the degree of applicability to the Malawi case of two hypotheses derived from the research literature on political development in Africa:

- ❑ Neo-patrimonialism has *deep cultural and historical roots* and cannot be expected to change quickly. These behaviour patterns are essential qualities of the way 'Africa works'. Democratic political competition, far from eroding these patterns, is more likely than not to add further fuel to them.
- ❑ The observed behaviour represents a snapshot – *a particular moment in a process of political evolution*. Malawi's democracy is immature, but political competition will begin to shift the way successive generations of politicians behave, first towards a form of pork-barrel patronage that is somewhat more redistributive, and then towards greater management of public resources in the public interest.

We believe that, in the case of Malawi, the first hypothesis is the more immediately relevant. There seems little justification for following the conclusions of the Ghana drivers of change report, which, while emphasising the neo-patrimonial context of political competition and continuing

presidentialist tendencies, does see some evidence of change in the medium term based on recent history.

For Malawi, we find little evidence suggesting a potential for political competition to become more issue-based or performance-oriented in the near future. If there is a process of political maturation in this sense, the pace of improvement is so slow as to be almost imperceptible. We looked for two kinds of possible change, those affecting the oversight role of parliament and other dimensions of the constitutional division of powers; and those signalling the development of a party system in which political parties begin to function as articulators of collective interests and policy directions, and inter-party competition starts to centre on policy differences rather than personalities.

2.3.1 Presidentialism and the division of powers

In the first respect, it seems clear that ‘presidentialism’ is still very strong, and that **presidential money-power is still expected to play an important role that is inconsistent with effective parliamentary oversight.** The impact of money power on the separation of state powers operates at two levels – formal and informal.

At the formal level, the principal threat is manipulation by the executive of the disbursement of budget funding to the judiciary, constitutional bodies (ombudsman’s office, Human Rights Commission, etc.) and parliament (and its committees) aimed at limiting the effectiveness of their oversight. Using the pretext of cash-budget and other disbursement constraints, the executive can withhold, delay or effectively reduce funding for the judiciary and parliament, thereby undermining their ability to act effectively. The judiciary may be particularly vulnerable to this type of ‘money power’. If parliament colludes with the executive, so that the judiciary is undermined at both allocation and disbursement stages, judicial independence will be hard to defend, as studies of the subject have concluded. To some extent, this potentiality was realised under Muluzi.

The informal use of money power – the direct bribing of people in public positions with cash to undermine their ability to act independently in the public interest – has been well documented in recent years. A notable example is the Third Term Debate in parliament. The Anti-Corruption Bureau has evidence that some MPs were paid to vote in favour of amending the Constitution, including admissions by some beneficiaries of the bribes.

Presidential powers of appointment have been used in a comparable way to reward those who have advanced the president’s personal interests. For example, the MP who introduced a Private Members Bill to introduce the open presidential terms proposal was rewarded with appointment to the Cabinet. The three MPs who volunteered to introduce motions to impeach three High Court judges were also rewarded with appointments to the Cabinet. People who helped Muluzi’s United Democratic Front (UDF) in the 1999 election campaign received embassy appointments or senior positions at the Malawi Broadcasting Corporation, while other supporters were appointed to parastatal boards.

It is tempting to dismiss these as excesses of a particular regime in its declining years. There are certainly some signs of parliamentary assertiveness following the election of President Mutharika, including the rejection of several presidential nominees by the Public Appointments Committee on the grounds of procedural irregularity. For the time being, it is hard to be sure how much of an element of narrow party politicking there is in this development (the committee is led by MPs from the Malawi Congress Party [MCP] – Banda’s former party and the principal opposition grouping). However, whatever the truth is in this regard, a useful precedent has been set.

On the other hand, there are many signs of undiluted presidentialism in Mutharika's approach to government, as discussed at the end of Section 2. It may also be significant that the MPs who have been making the running in asserting parliamentary independence are from the MCP, whose members are least likely to benefit personally from the splits, realignments and horse trading which have been going on around the UDF camp since Mutharika's election. Not too much can be expected so long as parliament is restricted by a small and unreliable operating budget, and very limited resources for committee work.

2.3.2 The party system and the basis of political competition

One of the reasons why it remains easy for presidents to manipulate parliament is that parliamentary parties, with the partial exception of the MCP, **remain very weakly institutionalised**, except as the semi-organised following of a particular 'big bwana'. After 1994, the UDF was progressively converted into an extension of Muluzi in much the same way as MCP had been an extension of Banda. After Muluzi's two terms, the parties represented in parliament had increased from three to six. However, the new parties were the product of splits in the old ones, mainly reflecting personality rather than ideological differences. At various times, including recently, Malawian leaders have spoken of the party in power as having precedence over the government (as with UNIP in Zambia or CCM in Tanzania, perhaps). However, rather than suggesting that parties are important institutions, such arguments reflect the conflict between two sets of personalistic networks.

Political debate between the parties, as well as within them, tends to focus on personalities and personal loyalties, not on policies. High-profile policies, such as the generous promises of subsidised fertiliser or credit made by presidential candidates on the campaign trail, tend to be both defended and attacked entirely from the point of view of their political ownership, and not at all on their merits or as contributions to a public policy debate. There are no debates on significant national issues unless they are party-politicised.

Regional rivalries show few signs of ceasing altogether to figure in political calculations. But **we doubt it is the case that regionalism is of increasing importance.** It seems to have declined to the extent that the 2004 results reflected some cross-regional party formation. Also, the anti-Third Term alliance cut across regional divisions. Regional party leaders (Muluzi and UDF in the south; Chihana and AFORD [Alliance for Democracy] in the north; and somewhat less clearly Tembo and MCP in the centre) are in fact losing the control they used to have over their constituents. An important test of this issue will be the precise regional breakdown of the realignment of forces around President Mutharika that is now taking place following the resignation of the president and his supporters from the UDF (Feb 2005).

In short, a maturation of the functionality of Malawi's formal democratic institutions may be taking place, but **the indicators of progress are by no means clear.** On the other hand, the evidence of political competition fuelling patrimonial tendencies has been and seems to remain compelling.

2.3.3 Democracy as freedom from restraint

We are not saying there have been no gains from the coming of multi-partyism. To begin with, there have been some significant improvements in availability of information and the structure of the mass media in recent years. The penetration of the media into rural areas is very limited by the standards of neighbouring countries. The newspapers remain heavily oriented towards political gossip and intrigue. While there are more newspapers now than before, they are largely owned by politicians, and toe the corresponding party line. Nevertheless, at the level of the small urbanised

elite, there is vigorous political debate, including some participation by advocacy NGOs and local think tanks.

Civil society has been weak historically, and donors did not help (from 1994) by pushing in resources that overwhelmed organisations without the capacity to deliver, creating numerous ‘briefcase NGOs’ which swamped those with any claims to representativity. Exceptions include the churches and faith organisations with their grassroots’ membership which, especially through their umbrella body, the Public Affairs Committee, have played an important political role since the transition. The PAC has criticised government regularly for bad policies as well as abuses and infractions.

The PAC is not the only case of worthwhile collaboration in civil society. During the 1994 and 1999 elections, opposition parties and civil society came together and monitored the Electoral Commission, the election process and the utilisation of the media. A joint venture of advocacy NGOs, the Malawi Economic Justice Network (MEJN), has been joined recently by an agricultural network and education NGO that are monitoring development performance and the PRSP. But there remains too few good NGO staff – they are drawn from a very small indigenous middle class and are often poached by donors.

One often hears people blaming democracy for the failings of the last ten years. However, that would be unfair and inaccurate. The *chichewa* word for democracy conveys strongly the sense of liberation from constraint and not at all the sense of ‘rule by the people’. It also lacks the dimension of rights matched by obligations that is central to democratic theory. Thus, democracy is often confused with the holding of elections or with the right of people to ignore the law with impunity. People at all levels fail to understand that Malawi has an incomplete democracy and that it is the *incompleteness* that generates abuses, not democracy itself.

It is also important not to dismiss the benefits that even this partial and distorted democratisation has brought. Although the gains are mainly significant among the urban middle classes, the coming of a multi-party political system has brought with it a freedom of speech and association, a media opening and a relaxation of rules on such matters as mode of dress (Banda banned miniskirts, etc.) that are widely appreciated.

2.4 The social roots of the political system

The neopatrimonialism that characterises public life in Malawi has deep roots. In this section, we argue that its roots are to be found both 1) in the nature of the national society, and 2) in the terms of its encounter with processes of state-building, under colonialism and up to the present day.

The social underpinnings of neopatrimonialism not only explain the nature of the political system. They also help to explain some of the effects of this system, for example on the way civil servants behave and how they respond to people from international agencies and donor organisations. Some effects, in fact, may be seen as the joint products of the nature of the state and the nature of the, predominantly rural, society in which the state is embedded.

2.4.1 Some generalisations from history

We have said that in our view neopatrimonialism could be considered the norm where modern state formation occurs in a pre-industrial setting. Comparative history suggests that patronage-based political systems break down as social classes are formed through capitalist economic development. Demands for the state to be accountable to groups in civil society have been closely associated historically with the emergence of new economic actors upon whom the state relies for taxation.

Urbanisation of the population helps, but where it precedes industrialisation, it only does so in a partial and gradual way – as the experience of Latin America shows. Therefore, **we do not need to look very closely at Malawi's largely rural society and mainly non-capitalist economic structure to explain why neopatrimonialism is a feature of the state.**

On the other hand, the particular ways in which neopatrimonialism is embedded in sub-Saharan Africa generally and Malawi in particular are worth exploring further. A famous article by the political scientist Ekeh suggested the importance for understanding African politics of distinguishing two types of public sphere, each characterised by a different relationship with the moral principles prevailing in the private sphere of the family. The 'primordial public' – constituted by the individual's kinship network, ethnic group or home area – is a source of moral obligations comparable to those applying within the family. The 'civic public' (the public realm of the state), on the other hand, is amoral and is not the focus of generalised moral imperatives. This pattern is obviously related to the historical fact that in most of the continent, the state was created by colonialism and superimposed on a series of hierarchical but communal societies. It also reflects the comparatively weak sense of national identity, as compared with both narrower (local area) and wider (language-group and cultural) affinities, that Africans experience.

The moral discontinuity between the social order and the state has important and enduring implications. Among other things, it means that the basic obligation of powerful individuals to support their kin and other (often district- or regionally-based) 'followers' and of the latter to show corresponding loyalty has tended to prevail within the under-formed state as well as outside it. Consequently, the state has very limited ability to resist 'capture' by patronage networks.

The literature of political science usually invokes this tendency in explaining the relatively high tolerance shown for corrupt behaviour among public officials and political leaders throughout the sub-Saharan African region. 'Eating' from public resources in order to share the benefits of one's success with one's kinship group is quite likely to be regarded as morally more defensible than the alternative of turning one's back on one's community of origin for the sake of an abstract principle of public service or an obligation to obey national laws. **The high tolerance of eating from the state may well apply even when there is in practice almost no sharing of the spoils of office outside the immediate circle of the 'big man'.**

This may be particularly true where traditional rural society has the kind of norms and values that it does in Malawi. We obviously do not have space to provide a full description of the relevant rural social patterns, but it is worth providing a sketch of some important traits identified by researchers. We do so under three headings.⁴ As mentioned above, we think these traits help to explain not only the way politics tends to work in Malawi, but also the particularly damaging effects this has had on a range of other things, including the way the civil service has broken down since the end of the Banda dictatorship.

The following sub-sections describe features of the way the rural Malawians **relate to subordination and inequality**; how they conceive of **the relationships between the individual and society**; and the way they **deal with conflict or uncertainty**. They describe the traditional way. This is not meant to apply without qualification to urban populations or members of the professional classes. On the other hand, outsiders such as donor-agency staff may well underestimate the degree to which these norms and values do influence attitudes in the cities, including at the higher levels of government service and the professions (see also Section 2.6).

⁴ The following discussion draws heavily on Cammack (2001).

This account is based on fieldwork. Typically, the views of specialists on such matters diverge on matters of detail and interpretation. However, we think the main generalisations are supported by a good number of other studies.

2.4.2 Hierarchy, power distance and acceptance of subordination

Social relationships are characterised by inequality and a large ‘power distance’. That is, hierarchy is expected, inequality is desired and anticipated, less powerful people are expected to be dependent on more powerful people, women defer to men, subordinates envisage being told what to do, and the according of privileges and status to members of the elite is expected and welcome.

In such a setting, concentrated authority and dependency are the norm. Importantly, people of high and low status gain a sense of security knowing their place in such a society, and these characteristics have important benefits for society – such as protection of its weaker members, relative peace under a strong leader and during political transitions, a sense of community, and comfort resulting from interdependence. **The same characteristics can stifle innovation, initiative and problem-solving.**

In the rural context, large power distance undermines community self-help, as ordinary people are reluctant to take the initiative without instructions from above. Instead people wait for the government (as in the MCP days), a chief or another ‘big man’ to tell people what to do or do it for them. The large power distance also eases the way for corruption and influence-peddling by civil servants, as ordinary people rarely question the activities of their ‘betters’. People assume that the elite should behave in a way quite different from themselves – they are not bound by the same rules or laws as ordinary people. **The excessive deference generated by these social patterns thus also permits the retention of power by networks of people who are known by the public to be criminal and corrupt.**

As everywhere, power and wealth are largely in the hands of men, but in Malawi social norms powerfully protect this situation against challenge. Although changes are now happening, in traditional rural settings, unequal gender roles are underpinned by mutually-reinforcing teachings delivered in homes, many schools, churches and community gatherings, and during initiation rites. These influences see acceptance of male authority over women as integral to respect for proper hierarchy and dependency in general. Initiative, leadership and self-determination by women are therefore seen as threatening.

We have referred to the mobilisation of women in subordinate and exploitative roles as an enduring feature of Malawi’s political system. This would be hard to explain but for the continued influence, including acceptance by women, of traditions of a strongly hierarchical sort governing gender relations. Needless to say, these traditions both deepen and are sustained by the impoverishment of women relative to men owing to their poorer education, lower wages, more restricted land rights and general economic dependence.

2.4.3 Collectivism, conformity and suppression of enterprise

A second cultural characteristic that influences problem-solving is the way a society’s members relate to one another and to groups. In theory at least, the traditional village way is that opinions are formed by consensus, resources are shared, confrontation is considered rude and group loyalty is valued. In such societies, conflict is to be avoided, participation in group rituals is obligatory, maintaining social position and ‘face’ are important, group (as opposed to individualised) opinions are preferred, the collective’s interests should prevail (even if detrimental to the individual), and laws and rights may differ by group.

This mode of interaction may never have prevailed in such an uncomplicated way and it is no doubt under threat from various social and economic forces. Nevertheless, **the norms and values associated with it do persist and have economic, political and developmental implications, some positive and some negative.** On the positive side, the value given to consensus and collectivism tends to promote peace and may guarantee a minimum standard of living for the weakest members of a group. Less positively for democracy and development, this system requires ‘in-group’ members to be treated preferentially, for group interests to override the needs and disciplines of the larger society and for individual initiative to be suppressed.

These values can have an important influence on relationships even within formal organisations. According to one study, in such a social context the ‘relationship between employer and employee is seen in moral terms. It resembles a family relationship with mutual obligations of protection in exchange for loyalty. Poor performance of an employee ... is no reason for dismissal: one does not dismiss one’s child’ (Hofstede, 1991). In Malawi, workplace situations have been frequently observed where the mediocre performance of a particularly poor employee is concealed by colleagues and supervisors, who treat him like a younger brother, to be shielded and advanced.

Protectionism vis-à-vis mediocrity is accompanied by social mechanisms that have the effect of punishing individuals who set themselves apart from their peers. In rural society, jealousy – *nsanje* – is widely recognised as detrimental to the smooth functioning of a community, but it is common nonetheless. A well-known manifestation is when one person tells another a false story about a third in order to get the latter ‘in big trouble’ – a process known as *kusemera chinyau* or ‘carving a *Nyau* mask’. Such expressions of ‘jealousy’ are commonly reported throughout Malawi, in offices and households where employees try to get one another fired; in development and relief projects; and in rural communities, where accusations of witchcraft can result. As in peasant societies in many countries, what prompts the action more often than not is the feeling in the community that the victim is in one way or another ‘getting above himself/herself’.

The pernicious links between collectivism, conformity and the suppression of individual self-advancement – often called the ‘tall poppy syndrome’ – has been well understood by close observers of Malawi for decades. In the late colonial era Malawi’s Master Farmer Scheme failed in part because ‘people were told not to rise above the village level’. Even today, according to one piece of extended fieldwork, farmers who diversify into burley tobacco and start to accumulate wealth in the village are the targets of jealousy and witchcraft. This is especially so if they resist the many demands placed on their new wealth by extended family and other community members – funeral costs, health costs etc. – which are increasing in light of HIV/AIDS effects. The relevance of similar mechanisms to understanding the decline of the Malawi civil service is suggested in Section 2.5.2 below.

2.4.4 *Aversion to conflict and uncertainty*

A third group of characteristics which affects any society’s capacity to create and utilise ideas and institutions for development or problem-solving is **the way the community deals with emotions, especially uncertainty and aggression.** People in different societies have a different level of tolerance of ambiguous, confusing, uncertain and unknown situations. People in societies with ‘weak uncertainty avoidance’ are not particularly threatened when faced with ambiguity, while those with ‘strong uncertainty avoidance’ will feel anxious in the same situation.

The latter people create rules, demand predictability, delineate taboos, closely define deviant behaviour and ideas, and clearly differentiate good and evil, clean and dirty, safe and dangerous. They have an emotional need to set rules and to maintain order and structure. With regard to politics, people displaying strong uncertainty avoidance feel less able to challenge their

leaders' decisions and are likely to look to their government for answers, rather than to themselves or their peers. They are also more willing to ban groups and ideas they consider dangerous, and to feel that protest should be crushed.

The four 'cornerstones' of Dr Banda's government were unity, obedience, discipline and loyalty. **These reflect not only the authoritarian and paternalistic orientation of the Banda regime, but also values that have been traditionally and remain fundamentally Malawian.** While they have their positive aspects, taken together they have stifled initiative, creativity, tolerance and dissent. Even after ten years of 'democracy', dissent, opposition and protest are only grudgingly tolerated, and those who disagree are seen as 'rebels' or 'confusionists'. Censorship lurks behind many official declarations, and control of information abounds. New ideas, different solutions, and non-conformity are undervalued still.

2.5 Impacts

To summarise, Malawi's neopatrimonial state has not yet been modified, except in negative ways, by the introduction of institutions of formal democracy. One reason is that patrimonial and anti-democratic tendencies are strongly reinforced by the norms and values of traditional society, whose effects are still felt. **In this section we show how several general observations about development and its setbacks in Malawi can be explained by reference to these features of the political context, and the incentives for action and inaction that they generate.** We argue that much of what happens in Malawi – including features of the aid relationship – is hard to explain at all if the character of the political system is not considered.

The effects of the political system are considered under three headings:

- the quality of Malawi's public policies from the point of view of meeting the country's development challenges;
- the capacity to make policy, especially coherent, joined-up policies that can be consistently pursued;
- the climate for private-sector investment and growth.

We think that the poor quality of public policy is, in part, directly a function of the way politicians are constrained to behave (the 'big bwana' syndrome, etc.) and in part the result of a capacity to make policy that has been severely eroded by these and other factors. **In brief, the politicians and the civil servants have joined together to destroy the state's capacity to do policy.** Meanwhile, the environment for private investment – on which the prospects for economic recovery and resumed growth depend – is damaged by both the weakness of policy and the direct effects of the political system on businesses. **We consider these three issues in turn.**

2.5.1 *Impacts on the quality of public policy*

The starting point of this discussion is the lack of serious, joined-up public policy for addressing most of the development challenges and threatened national catastrophes outlined in Section 2.1. 'Policy' in this context refers to the directions governing what government actually does; that is systematic implementation, not mere intentions, or documents that have been agreed in principle but stand no chance of being put into practice. As one observer noted 'Malawi does not just have one of the highest population densities in Africa it also has one of the highest concentrations of policy documents per square metre'.

Nearly all our informants and interlocutors agreed that **a notable feature of Malawi's situation is the multiplication of policy documents and an absence of real policy, beyond the very short**

term. There are numerous policy documents in Malawi, some of them quite good, but many such documents are never translated into consistent policy implementation.

This happens for two reasons. **On the one hand, there is invariably donor funding for the elaboration of policy documents and national ‘strategies’ for responding to particular long-term problems.** A donor agency, frustrated with the lack of progress, will usually provide funding even if it or another agency has previously invested in a policy document that has not been translated into action. **On the other hand, real policy is resolutely short-termist, driven by immediate political considerations.** Short-termism is encouraged by the ‘politics of personality’ and the failure of parties, parliamentarians and the media to engage in issue-based politics. It is manifested in, among other things, ad hoc launching of spectacular initiatives during political campaigns; competitive policy development by ‘big men’ in different parts of government; and the undermining of existing policies for material gain by politicians and their supporters.

The trade sector is an obvious example of lack of policy and short-termism. According to one observer, ‘Malawi has signed up to all possible [regional] trade agreements, some of which are inconsistent with each other. This is due to the lack of any clear trade policy strategy’. The area of food security exemplifies well a multiplicity of policy frameworks combined with an absence of real policy beyond the extremely short term. The EU has spent a vast amount of money supporting the drafting of a food security and nutrition policy document. It commenced with work carried out by six separate task forces working on different issues. Attempts were then made to pull together these somewhat disparate bits of work into a single policy document, which has gone through several drafts. Some donors e.g. USAID and DFID have been very critical of this. They feel there are enough initiatives on the table, which if implemented properly would deal with food security – PRSP, MASAF, etc. The last thing we need, they say, is yet another policy document full of platitudes.

One way the ‘big man syndrome’ impacts on policy is the way key policies are adopted by presidential candidates on the campaign trail, without technical inputs or institutionalised decision-making. Three good examples include rural credit, the Drought Recovery Programme and fertiliser subsidies.

During the 1994 election Muluzi enticed farmers to vote for him by promising that if they did so they would not have to repay their credit from the Malawi Rural Finance Company. This was one important factor that contributed to the collapse of the rural credit system. Previously, Malawi had one of the highest repayment rates in the world for its rural credit schemes (although partly because under Banda much violence and intimidation was used by peers in the Farmers’ Clubs to ensure repayment). Indicative of the breakdown is the fact that Muluzi had three credit schemes totalling MK750 million and the highest repayment rate was around 25%. As a result, today the only group for which credit is regularly available are the smallholder tobacco farmers, from whom repayments can be deducted at the auction floor.

The 1994/5 Drought Recovery Programme was compromised by clientelist competition among politicians. Smallholder fertiliser use had declined significantly owing to the donor insistence on removal of fertiliser subsidies. As a response to the drought, all zones with less than 60% normal rainfall were given a pack of free inputs. This was to be repeated the next year for all zones where average land holding sizes were less than 0.6 ha. However, there were complaints that such areas were predominantly supporting UDF and that the programme was politically motivated. As a result it was replaced in 1998 with the universal Starter Pack Programme.

One of the most striking examples of the ‘big man’ political campaign style producing bad policy is the most recent – the fertiliser subsidy fiasco of 2004/5. This is described in detail in Box 2.2.

Box 2.2: The 2004/5 fertiliser subsidy fiasco

Between 1996 and 2003 a free agricultural inputs programme was run to raise productivity on the plots of poor farmers. Initially, this was the universal Starter Pack Programme but then, under donor pressure, it was scaled down to become the Targeted Inputs Programme (TIP). This caused many problems as local committees had to choose which households in their area were eligible. Having had its fingers burnt in the 2001/2 maize scam (see Box 4.2) and following lack of donor support for TIP, the IMF agreed to a \$25m. budget line to cover free fertiliser and disengaged from the issue.

On the 2004 election campaign trail the UDF promised a fertiliser subsidy. This was entirely politically motivated and without any technical analysis of the issue. After the election, budgetary pressure meant that a large universal untargeted subsidy was not feasible. As a result, a number of fairly ludicrous schemes were mooted. Initially, it was suggested that vouchers would be given out to cover part of the cost of a bag of fertiliser and that each farmer would have to come up with MK1,400 to augment the voucher to buy a 50 kg bag. There were worries however that this would simply result in a black market in vouchers, as many farmers would sell them because they did not have the MK1,400. Then it was suggested that farmers should pair up and use their two vouchers to get a bag, which they could then split. The Minister of Finance then suggested a dual voucher scheme – purple and white vouchers. Poorer white voucher holders would get a free bag, while purple voucher holders would have to contribute MK1,400. An announcement was made that 2 million vouchers would be issued and that there would be no subsidy on the price in the shops.

Despite this announcement, it was also announced by Muluzi (who, as the leader of the party on whose ticket the incoming president had stood, saw himself as speaking for the government) and the PS of Agriculture that farmers should delay buying their fertiliser, as prices would go down. This was interpreted by many as meaning there would be a subsidy.

As a result, fertiliser sales in September and October were very slow and fertiliser companies found themselves with cash-flow problems, so they delayed their second and third round of import orders. Eventually, a return to a near universal TIP was decided as the current solution to farmers’ poverty. Meanwhile, however, the rains had started and farmers were late in applying their fertiliser. Once it became clear that vouchers and subsidies were not materialising, fertiliser sales picked up and shortages emerged – which the government blamed on the fertiliser companies and importers.

If fertiliser is not applied in the first three or four weeks after maize seed planting, it is fairly useless and late applications are leached away by the rains. As a result of this fiasco, despite good rains so far this year, it looks as if the maize crop will be modest. In addition, the politicisation of the fertiliser issue has backfired for the government. Farmers are angry about the failure to deliver on the subsidy promise and about late fertiliser delivery.

As one observer noted, ‘The politicians have had to spend \$31m. on free inputs instead of the \$25m. originally budgeted and yet they have not gained one bit of political kudos’. Donors, too, are frustrated. A large proportion of the agricultural budget is now allocated to this single, ad hoc initiative.

In addition, a MK500m. (now MK1bn) rural-enterprise loan scheme was promised by candidate Mutharika and sponsor Muluzi during the 2004 campaign. This has the makings of another over-politicised and under-designed development initiative. However, it is still too early to judge at the time of writing.

While unimplementable or counterproductive policies are launched for short-term political gain, other policies are undermined by lack of co-ordination. This too can have political origins. Our informants consider that personality politics is one factor (competing donors’ offers of funds are another) making co-ordination difficult, even on absolutely crucial cross-sectoral policy topics. A good example of this is the three separate economic growth strategy initiatives launched by three

different politicians during the early months of the Mutharika regime. The President, using the Ministry of Economic Planning and Development, has launched a growth initiative designed to produce a position paper on potential growth and its constraints. Not long after, a similar initiative was started in the Vice-President's Office. Yet another is said to be in preparation at the initiative of the president's Chief of Staff.

These initiatives have the same aim, but are not in any apparent way linked. For example, EPD was explicitly not invited to the launch of the Vice-President's initiative. On the other hand, the National Action Group on the Economy and various donors were approached. This incident no doubt partly reflects the fact that the VP was Muluzi's nominee, and Mutharika, although he has broken politically with the UDF leader, is not yet master in his own house. However, our informants give this as a particularly telling example of the degree to which, even under normal political conditions, the co-ordination of vital cross-cutting policies cannot be assumed.

Over the past decade, key policies have been compromised by politicians' interest in accumulating personal wealth. For example, in the mass communications area, the creation of TV Malawi (and its timing) was calculated to benefit UDF's election campaign, while procurement for TVM and Radio 2 was geared to benefiting UDF individuals. Patronage concerns drove the formation of policy on telephones, with phone bureaux being sold to senior civil servants and the Minister during privatisation and cell handset sales being restricted to local companies during launch of the first cellular network. The allocation of urban plots to senior politicians is another example, as is the distribution of large early payments from National Compensation Tribunal Funds to well-connected people.

A more important example than any of these is the way the National Food Reserve Agency (NFRA) was formed (as a result of donor pressure) but never given effective control of the Strategic Grain Reserve (SGR). This allowed the SGR to be used for criminal profiteering by politicians and their friends ahead of the 2000/1 food crisis. The 2001/2 food crisis was as much caused by this policy 'failure' (or victory for informal policy over formal policy) as by a poor maize harvest. Poor people's access to food was put in jeopardy by the overselling of stocks from the SGR due to weak oversight by the NFRA following inaccurate crop estimates. This allowed UDF cronies to get access to cheap maize, hoard it and sell it later at high prices.

Nowhere has the poor quality of policy been more damaging to Malawi's people, and the responsibility of 'big man' politics more direct, than in the area of HIV/AIDS. According to one source the history of the early years of combating the disease by the AIDS Secretariat and National AIDS Committee would read like a comic book if it were not so tragic.

AIDS arrived on the scene in the spring of 1985, when a former Miss Malawi was diagnosed with the disease. But awareness of the danger it presented was deliberately suppressed by presidential order. Until the 1994 transition, medical staff and the Ministry of Health were forbidden from keeping records, and journalists were warned against reporting on the advance of the infection or the illness, which would be treated as an act of treason. **Private behaviour and public health campaigns proceeded for ten years as if HIV/AIDS was not a serious problem.**

The deafening silence about HIV/AIDS came to an end with the dissolution of the Banda dictatorship. But capacity to use the funds allocated by donors to AIDS remained weak, and only now is Malawi seriously tackling the multiple challenges posed by the pandemic.

2.5.2 Impacts on the capacity to make policy

We have argued that Malawi's political system is in several respects directly responsible for the poor quality of policy. In other, possibly more important, respects, we now suggest, it is indirectly responsible, because of the way it has affected the policy-making capacity of the civil service. Over at least the last ten years, **it seems that the style of decision-taking preferred by politicians has both disempowered and corrupted the civil service, progressively undermining the capacity to generate coherent, technically-grounded policy approaches.**

There are three elements here:

- ❑ politicians' refusing to delegate any significant decisions, in case they lose the power to use policies for short-term political gain or patronage;
- ❑ a gradual loss of professional ethic in the civil service, in the context of the 'democratisation of corruption' that has affected public life generally;
- ❑ the long-term effects of 'hedge clipping' and other disincentives to exceptional individual performance.

Nowhere in the world do consistent, implementable policies arise from purely political processes. The preparation, testing and elaboration of policies are delegated to senior officials and technical teams. With some exceptions (the blanket ban on discussing policy responses to AIDS is the most important), this delegation of technical tasks happened in Malawi under Banda.

Most observers agree that the civil service was highly professional and motivated under Banda. One reason for this is that he relied upon his senior officials. Civil servants knew that he personally would read and comment on all key policy documents. They were also afraid not to perform to the standard he expected. Although Banda sometimes overruled the advice of civil service technocrats in order to promote his own development vision – e.g. occasionally rejecting the recommended annual pre-season pan-territorial prices to be offered by Admarc – the feeling was that the advice was overruled rather than ignored. Officials could and did get into trouble – not only losing their jobs but being imprisoned in some cases – if they were perceived to be contradicting the president, and there is little doubt this stifled creative thinking about Malawi's development challenges. However, within that constraint, civil servants were required to maintain high professional standards, and did so.

Banda was careful not to allow the civil service to become too powerful and to this end would frequently rotate top civil servants between ministries so that they did not become too entrenched or powerful. Nevertheless, **the president's own long-term development vision combined with a professional and well-functioning civil service meant that policy was both made and implemented with a degree of consistency.** An excellent example of this was the formulation of the *Statement of Development Policies 1987-96*. All ministries made a major technical input to the document, which went through a number of iterative stages to ensure that it was not just an uncosted wish-list of unrelated policies from each separate ministry. Likewise, each year when the Public Sector Investment Plan (PSIP) was drawn up each Ministry had to submit properly costed proposals which went through an iterative process to ensure affordability and consistency with development priorities.

This meant, among other things, that it was much easier than it has now become to manage donor-driven initiatives. There are examples from this period of the government turning down offers of donor funding for projects which the government felt were not viable or did not fit the country's development priorities. A Scandinavian offer to fund a dairy-processing plant in the

North, in the mid 1980s is one example. Rejection of any similar offer would be very unlikely to happen under the conditions that have prevailed since 1994.

President Muluzi's practice was in sharp contrast.⁵ What he did was to place men (and a few women) that he could trust and/or manipulate to head ministries, run parastatals, convene advisory boards and manage departments. These people made and/or implemented policies to suit Muluzi, themselves and their cronies. Civil servants with some independence from Muluzi's circle, and technical specialists with evidence-based policy experience, were among those *not* making policy. Technical advice, when offered, was often not taken seriously.

For example, MACRA, the communications regulator, was firmly under control of Muluzi. Muluzi appointed his relative (Aroni) as head of police. The Electoral Commission was under control of two captured justices. The Ministry of Agriculture was politicised under Chihana. Meanwhile, the president staffed his own Cabinet and office with advisers who were personally loyal to him but were not necessarily competent to make use of policy analysis even if they had been interested in doing so. **In all of these areas, the expertise available in the senior civil service was sidelined, which facilitated the manipulation of the media, the police, electoral processes and food policies for party-political gain.**

Failure to delegate significant powers has not only helped to de-motivate the bureaucracy, but also increased inefficiency. This needs to be seen in the context of our earlier discussion of the effects of extreme power distance on problem-solving and initiative in rural society. Within bureaucracies such as the civil service (and to a lesser extent in private businesses) vital decisions get delayed if people are afraid to take action in the absence of authority from above, to question irrational instructions, to bypass obsolete rules whose origins and function are obscure, or to tackle problems in a proactive manner. It is observed that this constantly stalls project planning and implementation in Malawi. When, in addition to these general cultural issues, the politicians who run governments make it clear that they do not trust their senior officials to take even the smallest initiatives, the effect on efficiency has to be extremely damaging.

All observers note a gradual loss of professional ethic in the Malawi civil service since the end of the Banda era. Banda's civil service was relatively honest, disciplined, of high-status, well-paid, professional and hardworking. Today the bulk (not all) of the bloated civil service is lax, demoralised, underpaid, distracted by private business activities and more easily corrupted.

Now, according to one study, civil servants follow the example of their political masters and see the state and their posts not as a means of helping the nation or its people, but 'as a resource for patronage and self-enrichment'. Using their positions, civil servants have 'succeeded in appropriating a significant share of [the state's] resources and in redistributing part of [them through] their social [i.e., their own patronage] networks' (Anders, 2001). Civil servants are embedded in wider patrimonial systems, and so informal cultural norms, kinship and patronage networks, rather than bureaucratic rules and regulations, frequently determine their morality, goals and behaviour. Instead of only doing their public service jobs they also run their own businesses; a practice which takes considerable time and energy, and sometimes significant capital. Using *katangale* (illegal or dubious deals, e.g., theft, corruption, embezzlement, etc.) they enrich themselves according to their rank. 'Such practices have spread from top to bottom with disappointed junior officers imitating their superiors', according to the study.

⁵ We make this comparison not to suggest that Malawi should revert to a past regime but to indicate the feasibility of doing better under Malawian conditions. While some features of the former situation may have been underpinned by authoritarianism at the top, there are no compelling reasons for thinking that having an efficient and empowered civil service calls for a brutal autocracy.

Corruption has become truly ‘democratised’. It is pervasive throughout all levels of the civil service and public service delivery systems – with head teachers selling exercise books, school children expected to give sexual favours to pass exams and family members having to pay the hospital guard before visiting a sick relative. At least until the Muluzi/Mutharika transition, the message from the top was that such things ‘are OK’. For those in public office who resisted the trend while also facing declining real wages, the effect on morale was devastating. **Those public servants who still want to do a professional job often cannot because of the effects of corruption and poor policy-making at the top.**

For example, agricultural extension workers typically cannot get out into the field, as there are no funds available for their motorcycle fuel. Many of them know or suspect that this is because a huge percentage of the Ministry’s budget is now absorbed at Headquarters’ level, in travel and other allowances and more blatant misappropriation of funds. They, meanwhile, are both low-paid and unable to function. Consequently, many have just given up and the agricultural extension service has collapsed.

The Ministry of Agriculture seems to be one of the more extreme examples of disintegration in the civil service. Former minister Chihana was ineffective; his appointment was part of a political buy-off. There have been four different PSs in four years and most of the able and technically-qualified people have left – they either moved into other ministries or were snapped up by donor agencies. Most donors, apart from the EU, have simply given up on the ministry. Some, like USAID have detached themselves almost completely and mainly use a parallel structure of NGOs to implement projects.

The Anti-Corruption Bureau provides another example of staff frustration. The ACB has received substantial resources and has excellent staff, but they are becoming increasingly frustrated. Despite their hard work, many of the people they have investigated over the past five years have not been prosecuted. There are several reasons. They include the former Director of Public Prosecutions, who was ‘weak’ and highly-controlled politically, as well as some weaknesses in the law governing the ACB and the failure of the Muluzi administration to fund it fully.

If able and qualified individuals are not driven out of the civil service by frustration and the decline in professional standards, they are likely to fall victim to the familiar phenomenon of ‘hedge clipping’. This is the normative expectation that individuals who are outstanding in any way or aspire to get ahead will be ‘cut down’ to the same level as everyone else in their peer group. Comparable to the ‘tall poppy syndrome’ discussed in connection with rural social norms, this is also known locally as the PhD (‘pull him/her down’) Syndrome. It is by no means restricted to Malawi (it was much discussed in the Ghana Drivers of Change exercise too). However, in Malawi it seems to have contributed to a large exodus of talent from key ministries over an exceptionally short period.

In the civil-service context, hedge clipping is not just the result of a misplaced egalitarianism in the organisational culture. It is also related to the earlier observation that the ‘big bwanas’ want to get political credit for anything good that happens. This makes them reluctant for others to be seen to have contributed. Under Muluzi, many of the good economists especially in the Ministry of Finance and Economic Planning and Development felt that their work was undermined or that they did not get proper credit for it. This, combined with the donors’ tendency to take the cut ‘poppies’ and place them in their own vases, meant that many capable people left government service and ended up working for donor agencies. For example, the EU took six good technocrats out of government and put them on contract to lead the six task forces on food security issues.

2.5.3 *Impacts on the private-sector investment climate*

The environment for private investment is a critical factor affecting the prospects for economic recovery and resumed growth in Malawi. We recognise that the opportunities for private business in Malawi are constrained by the country's geographical location, market size, and natural and human resources. But the opportunities are not negligible, or they would not be without the additionally discouraging effects of the political system.

Political effects are relevant at three levels. At the first level, the direct effects of the pursuit and deployment of 'money power' by politicians on the operating environment of existing businesses have been an immediate obstacle, preventing even the modest recovery of economic growth that some neighbouring countries have achieved. At the second level, politically-driven policy weaknesses similar to those discussed above are critically important. In particular, the lack of long-term policy vision in the public sector prevents either public or private investments being undertaken to address the large constraints arising from geographical location and small market size. Thirdly, and not least important, the impact politics has on the rule of law, and on the functioning of institutions of enforcement and redress, creates a large obstacle to the attraction and retention of investors.

Poor growth in the formal sector is particularly notable in the tradeables (importables and exportables) sector, as opposed to the non-tradeables sector (construction, retail trade, distribution). The focus on non-tradeables is worrying, as it is unsustainable and will eventually lead to balance of payments problems. Moreover, the internal market is too small for growth to be based on it. This reflects both population size and lack of demand due to poverty. For example, it is often argued that there is potential in agro-industry to process more fruit, vegetables, juice, dairy products etc. However, this only has a future if oriented to exports. The 1998 Household Survey showed that the average Malawian spends only \$2.48 per year on fruit and vegetables.

Some people – including several of those consulted for this study – argue that Muluzi was not interested at all in promoting agriculture or industry. This is because he and his cronies are overwhelmingly involved in commercial and transport activities (grain sales, trucking, property sales and development, etc.). In these areas, defending oligopolistic market positions and getting access to political favours were more important sources of profit than opening new market opportunities. This may be true, and would start to explain the neglect of tradeables. However, in several broader ways the impact of politics on the business environment may be more significant.

One of the effects of the pursuit of money-power by politicians has been a systematic attack on sound public financial management. How this happens has been very effectively documented in the Drivers of Change budget-process study. Among its secondary effects is the creation of conditions that limit businesses to short-term, quick-profit ventures. The very high domestic interest rates caused by government's politically-driven over-spending and domestic borrowing help to explain the growth of the non-tradeable service sector based on retail and distribution. Particularly compared with export-oriented production, this has low set-up costs and quick turn-over, and thus less need to borrow capital.

Some private-sector people we consulted commented that although the environment for business looks more conducive, it is not so 'on the ground'. For example, many in the business community seem to have accepted that bribe-paying has become a normal transaction cost, which they are passing on in the form of higher prices to consumers. The sexual exploitation of power which we have noted several times is a factor in the business environment too. According to an informed source, a woman in business is likely to find that she is expected to provide sexual favours and/or pay bribes in order to win contracts or find work.

We have suggested that short-termism is a general feature of policy in Malawi. Yet **trade-based growth faces some large constraints that can only be relaxed through a major, long-term investment effort.** Malawi's exports are often uncompetitive due to very high transport costs, reflecting Malawi's landlocked status and its very poor domestic transport sector. There is a critical need for investment in infrastructure of all kinds. Transport, electricity, water, telecommunications and security are all poorly developed in Malawi and have got significantly worse in the last decade. Labour productivity is very low in the formal sector and has been declining rapidly, further eroding competitiveness. Using an index with 1988=1, industrial labour productivity fell from 1.18 in 1968 to 0.98 in 1995, and it is likely that the trend is still downwards.⁶ As regional trade integration progresses, Malawi will face stiffer competition from its neighbours and its remaining industries are unlikely to fare well.

Malawi does not have substantial mineral resources, and its land resources are under severe pressure, as explained in Section 2.1. On the other hand, as suggested there, these problems are about ineffective land *management* as well as about the natural constraints. Improvements in irrigation and management on a large scale would be technically feasible. Rehabilitating the railway system is an obvious priority that has been addressed too slowly (in the last decade, because of the Muluzi connection with road haulage). However, **tackling these issues successfully would call for both a long time horizon and rigorous, technically informed planning.** Therefore, addressing some of the main obstacles to renewed growth is conditional upon tackling the political and administrative sources of inferior policy making reviewed above.

In order for any large investments to be feasible, the general business environment would also have to improve, and so would the climate for foreign investment in particular. In general terms, the absence or weakness of institutions that reduce the risks associated with long-term engagement in markets is the main problem. The country's laws, regulations and enforcement institutions do not facilitate competition or guarantee fair dealing and cannot be relied upon to protect economic rights, especially where politicians' businesses are involved. This encourages the sort of business that thrives on political protection, cheating and monopolies, and is unaccustomed to the business norms that apply in the dynamic parts of the global economy.

Given that Malawi has few attributes to attract foreign capital, and many competitors in the region, it would be rational for the country to be aggressive in attracting investors from abroad. This would include giving priority to changing aspects of the regulatory environment that serve no genuine regulatory purpose and are known to put off foreign investors, because they slow down procedures and are a source of corruption. There are few signs of this happening. If anything, the trend is in the other direction. The issuing of Temporary Employment Permits and Permanent Residence Permits for expatriate staff remains slow and unreformed. In recent years, would-be investors from the Far East in export-oriented manufacturing have gone to other African countries after being told of local-partner requirements and other nationalist restrictions in Malawi.

One area that has considerable potential to absorb the 200,000-300,000 youth who join the labour force each year, and the 100,000 per year influx to urban areas (one of the highest rates of urbanisation in Africa), is textiles. This is a field in which Malawi has benefited from highly preferential trade agreements. However, a potential Taiwanese investor willing to create over 60,000 jobs found the reception from the Ministry of Trade so hostile that he took his capital and jobs elsewhere.

⁶ Being landlocked, on the other hand, offers a degree of natural protection for the domestic production of import substitutes. However, very low labour productivity means that under modern marketing conditions it is still often cheaper to import goods like tinned fruit and vegetables from South Africa.

Some of the reasons foreign investors receive a luke-warm reception may be related to ethnicity and the desire to allow protected spaces for specifically African enterprise. This was policy with a clear political-economic rationale under Banda. Banda expelled all Asians from rural areas and forced them to live in Lilongwe, Blantyre, Zomba or Muzuzu, because they were successfully competing with his own businesses in rural retailing. On the other hand, Banda was happy for (white) expatriates to work and invest in the country, and he had some Asian partners in his own businesses.

The Muluzi administration was seen as quite favourable to investments by Muslims from anywhere in the Middle East or Asia. However, since 1994, there has also been an increase economic nationalism (referred to in recent years as ‘black empowerment’, implying a rather questionable parallel with South Africa) in Malawi business circles. Once again, this may have been rational in terms of the narrow self-interest of Muluzi and his business colleagues, **but it cannot be seen as rational in terms of Malawi’s national interests.**

The National Action Group on the Economy has recently produced a useful list of ten things that can quickly be done to improve the business environment. Under Muluzi there was a break down of dialogue and trust between government and the private sector, apart from the favoured business people from the Chamber of Commerce who became part of his patronage system. Under Mutharika, there may be an opportunity to rebuild this relationship, and address the ten points one by one. However, no one should have illusions about how easy this will be, so long as policies continue to be driven by patronage and the civil service remains disempowered and corrupt.

2.6 The contribution of donors and aid

Aid did not create the loss of policy direction and quality described in Section 2.5. However, **donors have made matters worse in a number of respects over an extended period.** That is, they have contributed their own part to a vicious circle in which both the quality of policy and the policy-making capacity of the Malawi state have been progressively weakened.

2.6.1 General and particular failings of the Malawi aid relationship

At the end of the inception stage of this study, there appeared to be many indications that the aid relationship in Malawi had deteriorated quite badly. The following factors were among those observed:

- ❑ a (perhaps exceptionally) low level of trust and mutual respect among (at least some) national stakeholders and (at least some) donor organisations and individuals, resulting in poor-quality dialogue;
- ❑ a lack of cultural sensitivity or historical knowledge on the part of (at least some) donor staff, a part of which is a product of short postings and limited exposure to the national society;
- ❑ distortion of incentives facing public servants, by funding allowances and the recruitment of qualified and able individuals into donor service, but not public-service salaries and other inputs that might enhance civil servants’ performance in core duties;
- ❑ excessively high transaction costs for government in dealing with donors and international consultants;
- ❑ a tendency to blame donor-side mistakes on the country, exacerbated in some cases by a hypocritical invocation of arguments about country ownership;
- ❑ use of forms of conditionality that are too broadly targeted, non-credible and/or morally offensive, and therefore counter-productive;

- ❑ wasteful use of international technical assistance, sometimes of doubtful quality, possibly resulting from, but anyway tending to exacerbate, lack of trust;
- ❑ failure to prioritise assistance to fundamental changes in the national society, economy and state, as against palliative measures – short-termism on poverty reduction;
- ❑ donor priorities and principles that are inconsistent between (and maybe within) agencies and over time – ‘moving the goalposts’;
- ❑ donor concerns that are excessively headquarters-driven and therefore insufficiently responsive to Malawi-specific conditions and not pragmatic enough;
- ❑ a local environment for improved donor harmonisation and alignment that provides few of the incentives for change that are present in, say, even Zambia.

Not all of these observations are worth discussing at length. However, **the Inception Report suggested that it would be important to take a view on the relative importance of two possible interpretations of their overall significance:**

- **that these are inherent and extremely general features** of an aid relationship in which there are large disparities in both economic power (favouring the donor) and access to relevant information (favouring the recipient), and where donors have developed a series of responses to the breakdown of trust that seriously compromise development effectiveness;
- that they are, also but more importantly, the product of **a Malawi-specific process of breakdown, with its roots in the country’s history**, so that the generic solutions on the current international agenda (e.g. budget support for PRSPs; increased donor efforts towards aid alignment and harmonisation) will not work.

In the rest of this section, we argue two things. **First, some of the ways in which aid has been unhelpful in Malawi are those which beset the donor-recipient relationship in many countries, due to the logic of the aid relationship.** The perverse side-effects, including several of those in the bullet list above, are hard to avoid, but are often intensified by donor behaviour, as has been the case in Malawi.

Second, there are, however, also some Malawi-specific issues. Some of these are a matter of the unusually extreme lengths to which donors in Malawi have gone in responding to the consequences of state failure. Others reflect particular facts of Malawi’s history and the place that Malawi has in the priorities of donor governments. Because these specific features are important, donors considering applying general remedies to Malawi need to be more careful than usual that the necessary local adjustments are made.

2.6.2 Generic problems and the donor response in Malawi

At one level, we suggest, Malawi is an extreme case of a pattern of interaction that weakens aid effectiveness throughout the region, and which has been effectively analysed in decision-theoretic (game theory) terms. The essential features of the aid relationship are that the donor has economic power but is also subject to disbursement pressure and has incomplete knowledge. On the other hand, the recipient has more complete knowledge and therefore an ability to avoid implementation of any conditions set by the donor. Analysis of the way this relationship works in practice shows, among other things, that the opinion held by many people inside and outside Malawi that donors are very powerful, and therefore very blameworthy, needs to be modified.

A close study of the balance of power between programme-aid donors and the Malawian government in the 1980s reveals that this relationship was not one-sided.⁷ As time progressed

⁷ This draws on Harrigan (1991) and (2001).

under the structural adjustment programme, the government came to realise that the pressures on the donor gave the government considerable power.

In 1986, despite strong donor pressure to the contrary, the government felt confident enough to violate donor conditionality and reintroduce fertiliser subsidies. Some observers believed this would result in a cut-off of USAID funds and World Bank funds, but it did not. Having touted Malawi as the shining star of adjustment in Africa, the Bank would have found it very difficult to pull out. In fact, quite the opposite occurred. The Bank was forced to spend time re-evaluating its agricultural policies in Malawi, which resulted in the SAP being replaced by a much more realistic Agricultural Sector Adjustment Loan. During the first part of the 1980s Malawi was often cited as one of the most compliant structurally-adjusting countries in the region, implementing many of the reforms advocated by the IMF and World Bank. In the late-1980s, limited and intelligent non-compliance helped to stimulate rethinking at the Bank. **In this case, the donor's 'disbursement dilemma' helped to produce a satisfactory resolution.**

In the last decade in Malawi, the disbursement dilemma has tended to generate an 'on/off' pattern of programme aid/budget support, with conditionalities agreed under pressure and then ignored or subverted by government. One thing that has changed is that government behaviour has become more erratic and much less rational from a national-interest point of view. Donors of policy-based aid do not have any good ways of responding to such a shift.

Under the Muluzi regime, donors clearly felt the pressure to continue disbursing even when things were going quite badly off-track. Until almost the end, only DANIDA took the unpopular option of withdrawing. The IMF now admits that the Poverty Reduction and Growth Facility (PRGF) was not government-driven and that they were under considerable pressure from their shareholders to sign up Malawi as part of the 'millennium rush' to get as many HIPC countries as possible on stream. That is, they knew the Muluzi government was not committed and that the budgets approved by parliament were fictitious, which proved correct.

The action of donors prior to and immediately after the 2004 election illustrates the disbursement dilemma well. As the election appeared on the horizon in the second half of 2003, the fiscal crisis was such that there was a distinct possibility that civil servants would not be able to be paid. The threat of pre-election strife was real. In this situation, the IMF came under strong pressure to release some funds and thereby enable budget support to be renewed by donors such as DFID. Some close observers believe this decision was taken despite the fact that the evidence of a real improvement in government fiscal policy was quite flimsy. Government overspending and suspicions about why this was occurring then led to the suspension of the IMF's PRGF and other budget support in a manner that exacerbated fiscal pressures very severely, forcing the government to continue resorting to heavy domestic borrowing, which further limited the private sector's access to finance. After the elections and the appointment of Gondwe as Minister of Finance, the donors came under considerable (self-imposed) pressure to turn the tap back on.

Experience over the last few years also illustrates the classic problem with conditionality as a means of achieving complex reforms. In early 2004, Malawi had had no budget support since 2001 and, as one of our informants put it, 'the country was on its knees'. A \$64m. loan from the World Bank was partly conditional on concerted efforts to move ahead with Admarc privatisation and reform. An Admarc reform bill was accordingly presented to parliament. Despite UDF party caucuses and many MPs opposing the Bill, they were instructed by the Whips to vote for it in order to secure release of donor funds.

This approach has had two effects. It has prevented constructive dialogue on the future of Admarc. We believe the content of the conditionality is evidence of incomplete donor acceptance of

the role of Admarc – both economic and political. At the same time, a measure was passed that is still quite unlikely to be implemented. By December 2004, the policy on Admarc was still not clearly articulated; no staff had been retrenched and no assets disposed of. The Task Force for Admarc reform had been clearly derailed by the elections, and without a very clear political signal – which we judge unlikely – it will not return to the rails any time soon. Thus, the Bank may be said to have used a blunt instrument to achieve an erroneous purpose. On the other hand, its intervention may be best understood as an act of desperation in response to many years of failure on the government side to develop and implement a rational policy approach to this issue.

More generally, the resort to conditionality – as a substitute for government policy processes⁸ – has resulted in policies being adopted in theory and partially or badly implemented in practice. An example of partial implementation is the establishment of an independent National Food Reserve Agency (NFRA). This was pushed ahead very quickly with strong donor, especially European Commission, support, but was only partially implemented. For example:

- ◆ until quite recently the NFRA has not been properly capitalised;
- ◆ although it is a trust, it does not observe the provisions of the Trust Act;
- ◆ government and Admarc have interfered with the agency's pricing decisions when maize is imported and released into the market;
- ◆ it has been unclear who owns the maize in the Strategic Grain Reserve silos – even though they were meant to be operated by NFRA, the silos were only legally handed over from Admarc to NFRA in Jan 2005;
- ◆ NFRA employees still thought they worked for Admarc; and
- ◆ the previous General Manager of NFRA was from government not the commercial sector, and failed to operate the NFRA as a commercial concern (e.g., accounts were not filed).

The above confusions, lack of communication, and lack of clear procedures were major factors enabling the 2001/2 grain scandal during which strategic grain reserves were sold corruptly. Donors may be held responsible for this by failing to follow through with the creation of a proper NFRA after insisting that it be created. As one Malawian said, 'donors, apart from the IMF, were not blamed for the grain scandal, but others should have been blamed for their role in setting up systems and then not seeing them through'.

Some imposed policies fail *both* because the government is not committed to them *and* because they are simply not well-grounded in the country reality. We have already mentioned Admarc reform in this connection. Another example is the liberalisation of burley tobacco in the mid-1990s, under which smallholders were for the first time permitted to grow burley. This was a reform strongly pushed by the World Bank and other donors. It was much needed but the approach adopted – full-scale, unregulated liberalisation – failed to take into account a key feature of the country reality: that Malawi faces an unofficial country quota in burley exports implicitly agreed by the four major leaf buyers each season.

The tobacco authorities felt, it seems rightly, that this rapidly pushed through reform or donor conditionality was done without analysis and consultation. Before liberalisation, grower quotas were issued to ensure the country did not overproduce in light of the unofficial export quota. Producers who over-produced were taxed 60% on their over-production. The quota was also used to avoid tobacco mono-cropping and to ensure crop rotation in order to preserve the quality of the crop. Although grower quotas are still issued, they cannot be enforced in the new liberal market and

⁸ Here and throughout, this phrase is meant to capture the formation and the implementation of policies, as well as feedback loops if any.

the upshot has been overproduction, a collapse in auction prices, a decline in quality and more mono-cropping.

Another example of a donor-inspired design lacking a secure grounding in country reality is the anti-corruption policy. This is described in Box 2.3.

Box 2.3: The Anti-Corruption Bureau and the ‘Hong Kong Model’

Malawi’s Anti Corruption Bureau (ACB) was set up along the lines of the so-called Hong Kong Model. It was hurriedly established under donor pressure to do something quick on the corruption issue, using a model which did not transplant well into the African context. The model focuses on bribery rather than more general misuse of public funds and places excessive reliance on an Attorney General who is assumed to be strong and independent and requires prosecution approval from a supposedly independent DPP. Likewise, it assumes a fairly uncorrupted civil service and offers little protection to whistle-blowers. It also lacks focus on prevention issues.

A delegation of Malawi lawyers studied the HK model as applied in Zambia but it was adopted in Malawi despite the fact that it had already proved inappropriate in Zambia and was being replaced there. Many see the transplant of this inappropriate model as one of the reasons for the low conviction rate for corruption. Recently, the Corrupt Practices Act has been amended to overcome some of the limitations.

2.6.3 Donors’ part in the Malawi-specific breakdown

These examples begin to bring to the fore a notable feature of the way the donors have responded to the decline in the political desire and civil-service capacity to make and implement policy in Malawi. **This is that – as in other countries but much more so – donors have stepped into the shoes of government and tried to take over its job, substituting for it in the policy function.**

It is arguable that there was no alternative. However, if that is so, it is also the case that the path taken was not very well pursued. **In two particular ways, the job was not well done.** First, the work of policy development was not consistent, through time or across the aid fraternity. Second, the donors have not themselves been free from the short-termism, competition and ‘personality politics’ that we have commented on in discussing government policy. Clearly, then, substituting for the national state is not a wise course of action for donors, even when the state is irresponsible and incapable.

Policy in agriculture, which is critical for Malawi, provides some excellent examples of inconsistency through time and between donors. There has been a (misplaced) debate, both over time and between donors, in which maize improvement is pitted against livelihood diversification as alternative paths for the Malawian rural economy. The debate is misplaced because improving maize productivity will be complementary with livelihood diversification in any sensible policy for Malawi.

The view of some donors, especially the EC, a lead donor in agriculture, has changed over time. During the 1990s, the EC, like the government, tended to focus on maize production and played a key role in supporting the Strategic Grain Reserve and the fertiliser delivery system: ‘In the first food security programme (1997-2001) the EC policy mirrored Government policy and supported the SPP and TIP, which promoted the dependence on maize, and particularly hybrid maize’ (McMullin et al., 2003: 70). However, work on the EC’s second Multi-Annual Food Security Programme (MAFSP) led to the EC policy undergoing what have been described as ‘fundamental changes’ (ibid.:8). The new approach, embodied in the second EC MAFSP, focused on livelihood diversification and food accessibility rather than simple food production and supply.

As a result, the EU became increasingly critical of Government policies such as the free-inputs programme, from which they withdrew their financial support in 2002.

While the position of individual donors regarding food security and agricultural policy is unstable, there have also been unhelpful divisions within the donor community itself. At one extreme, USAID promotes a vision of extensive livelihood diversification away from maize and rapid agricultural commercialisation with growing reliance on regional maize imports. At the other extreme, DFID continues to support maize-production initiatives such as the Targeted Inputs Programme (TIP) and has argued that Malawi should aim to become a regional maize exporter. USAID's advocacy of rapid agricultural diversification is also at odds with the conclusions of four top World Bank diversification missions, which concluded that the scope for smallholder diversification into high value exportable crops is limited.

There has been a considerable amount of fairly adversarial policy dialogue, reflecting these differences. For example, the EU criticised DFID and early World Bank support for free inputs, whilst USAID blamed DFID for undermining its AIMS (Agricultural Inputs Market Development Project) by supporting the government-run free Targeted Inputs Programme. On the other hand, many donors and occasionally government officials see the EC delegation as 'driving its own agenda', given the large resources it has for food security interventions. Constructive donor discussion on the future of Starter Pack/TIP has also been prevented by the view amongst the rest of the donor community that it is 'a DFID project'. (In another sector, the MASSAJ Project has not engaged other donors as it was seen as a DFID project).

In another context, these differences might be defended as healthy competition in the market for good policy ideas. However, in the context of a state where neopatrimonial politics has all but eliminated the capacity to choose among policy alternatives, so that decisions taken by donors effectively settle policy, this defence is clearly irrelevant.

Once again, donor divisions and shifts over time must be seen in the context of an extremely weak Ministry of Agriculture, which has failed to produce a clear and consistent agricultural strategy. The 2005-10 draft strategy document produced by MoA Planning Division contains over 100 objectives, which are not linked together. Within such a policy vacuum, donor operations do become extremely difficult. However, we are persuaded that donors have made matters worse by their fragmented, ad hoc and sometimes confrontational stance.

Anyway, **the tendency for donors to project their own disagreements onto government is not restricted to agriculture.** The motives and the policy ideas can be good or bad, but the effect is to enhance the tendency for ministries and offices to operate as separate and competing fiefdoms. An example from the Muluzi period is the policy-analysis initiative in the Office of the Vice-President under Malewezi, which ran concurrently with the work of the National Economic Council/Ministry of Economic Planning and Development, with DFID and UNDP support respectively. At the same time, the World Bank and IMF wanted to strengthen planning capacity in the Ministry of Finance, not MEPD.

The short-termism that characterises Malawi's policies is seen by many observers as reinforced by donor attitudes and practices. They see a tendency for donors in Malawi to support enthusiastically the latest initiative in the misplaced belief that there are quick fixes to Malawi's deep-seated but poorly understood development problems. When the results they anticipated do not materialise, they blame government and pull out, moving onto something new.

Factors contributing to short-termism within donor organisations seem to include lack of institutional memory within agencies; frequent changes in leading staff; and donor fashions at

headquarters that make one idea seem relevant for a time, only to be succeeded by another. **Underlying some of the ‘flip-flop’ decision making that appears to characterise some agencies is an under-appreciation of the deep, long-term institutional issues reviewed in this paper.** That is, too little importance is given to consistent long-term effort to assist the weak but progressive state-transforming tendencies noted in Section 2.3 and counteract the worst effects of neopatrimonial politics.

An example may be given from the 1990s, when the human rights community was pressing the Malawi Broadcasting Corporation to open up. Donors were asked not to fund the creations of TV Malawi or Radio 2 until the government stopped using the public media for campaigning and for suppressing the opposition. However, some donors continued to fund the communications sector. The effect was to make it impossible for civil society to hold government to account. In a similarly careless way (from a perspective that is sensitive to building institutions and strengthening civil society), a senior ambassador awarded fellowships to people within the government media to study abroad immediately after they had run a disinformation campaign using state resources in support of UDF and Muluzi. This campaign had been well researched and published about by Human Rights groups, work which was undermined by the ambassador’s action.

Malawians also say there is an element of ‘personality politics’, as well as flag-waving, amongst donors, at both organisational and individual levels. Donor agencies like projects and initiatives to be clearly labelled as *their* projects. For example, the business cards of some of the National Food Reserve Agency staff have the European Union emblem as well as the insignia of Government of Malawi. At the same time, some leading donor staff in Malawi are relatively large fishes in a comparatively small pond. In this context, some individuals can have a large impact on what happens, for better or worse. Some projects or policy initiatives therefore come to be regarded by everyone not only as the creature of Donor X, but also as belonging to Donor Personality Y. Personal ownership of programmes poses large problems of continuity and this policy consistency when Personality Y is reassigned out of Malawi.

2.6.4 Other Malawi-specific issues in the aid relationship

During the main study we did not find much testimony to contradict the suggestion that mutual trust and respect between donor staff and Malawians have declined to quite a low level. The inception study found impressionistic evidence of a (perhaps exceptionally) low level of trust and mutual respect among (at least some) national stakeholders and (at least some) donor organisations and individuals, resulting in a poor-quality dialogue that further weakens the relationship.

This is not hard to explain. Mutual respect is obviously weakened on the one hand by the apparent inability of the Malawians to make policies and act as if they truly prioritised the development of their country instead of their own wealth and status. On the other hand it is undermined by the relatively bad job that the donors have done by stepping into the government’s shoes.

Trust is undermined when, as is more or less inevitable, both sides tend to exculpate themselves by declaring that the main fault lies in the other. It is all too easy for Malawians, in government, civil society, academia and the media to lay the blame on donors – especially high-profile international whipping boys like the IMF – for the consequences of gross abuse of power by Malawian politicians. On the other hand, in this era where the international community has recognised that country ownership of policies is a precondition for their successful implementation, it is easy for donors to slip into defending their own mistakes by claiming that they were owned by Malawians.

Some particular personalities have contributed to the low priority given to aid harmonisation in Malawi in recent years. Donors worked together well during the transition of 1992-4. Malawi's donor community was also well co-ordinated for a number of years after that, as UNDP assumed a leadership role and did it well. In theory, the relatively small number of agencies represented in the country should make a high level of harmonisation possible. We expect this to be achieved in the future.

On the other hand, the aid *alignment* agenda – that is, supporting government priorities and policies, and using country systems as far as possible – is going to be a much bigger challenge. In view of what we have said about the absence of government policies and the reasons for this, there is no question that better alignment is a massive challenge. Rising to this challenge will be easier if the agencies shared an understanding of some of the points in this paper about how Malawi works and how the aid regime has contributed to its malfunctions.

Over-use of (especially expatriate) technical assistance and international consultants is a frequent complaint about donors by government officials and national professionals in Malawi, as in most aid-dependent countries of the region. If, as seems possible, it is more acutely felt than elsewhere, this may be mainly attributable to the fact that the donor agencies have gone further than in most countries in substituting themselves for government in the policy-making function. Heavy use of consultants is an almost inevitable concomitant of this approach, although it is one of the things that makes it unsatisfactory (because it leads to continuity problems).

The debate about whether the assisted country gets worse value-for-money when expatriates, rather than similarly-qualified locals, are employed is not so easy to resolve. This is strongly felt in cases such as the DFID/USAID support to parliamentary capacity building via the National Democratic Institute of the US. However, establishing strict equivalences of qualification, experience and ability is difficult in any circumstances, and those personally involved in bidding for work are not necessarily well placed to judge. Both racism and racial tokenism can be involved. The fact that international and local staff are recruited in different job markets has to be taken into account. But there are suggestions that some diplomatic missions and development agencies are led by this unavoidable fact to differentiate treatment of local and international staff to an unnecessary degree (e.g. in respect of transport facilities and security precautions).

At the inter-personal level, there are sources of tension or unease that make relationships difficult between expatriates and Malawians. This seems to overlay and reinforce the more structural and policy-related issues.

It is important not to exaggerate the degree to which these problems are greater in Malawi than in other countries of the region. The differences may not be all that great, because inequalities in power and disposable income between the expatriates and even highly qualified local professionals are large throughout the region, and a barrier to social interaction in any stratified society. But some cultural and historical factors probably do have more impact here than elsewhere in undermining the development of more friendly relationships across this divide.

Culture is probably more important than many donor staff suspect. Few Malawians (relative to urban populations elsewhere in the SADC region) have been educated abroad and are 'westernised' in a way that enables easy friendships with foreigners. Given current concepts of admissible behaviour in the North, sexist or homophobic comments by Malawians will tend to bring friendships with westerners to a halt. When a young European woman is attached as a 'senior' adviser to an older and more experienced Malawian official, the European's behaviour is likely to be regarded locally as arrogant, overly casual and disrespectful although it would be appropriate in Europe. This sets the scene for the working relationship to be characterised by distance and frosty

courtesy, with cynicism and suspicions of racism hidden beneath the surface. Social interaction outside the office would be out of the question, even if other barriers were less significant than they are.

The tendency for aid-funded staff and their Malawian counterparts to retire to their separate ‘silos’ at the end of the working day is no doubt mainly an economic matter. We are wary of over-generalising, but Malawians whose income levels and housing and transport allowances fall well below those that are normal for donor staff may find it impractical to engage in reciprocal home visits. The restaurants frequented by expatriates are usually unaffordable for Malawians living on public salaries. Anyway, there is little ‘going out’ culture and there are few facilities like the cinemas or theatres found in Zimbabwe and South Africa. However, there are also still some legacies of the Banda dictatorship, when government staff were banned from associating socially with foreigners. This was part of Banda’s political control system, but has succeeded in inculcating a degree of xenophobia.

2.7 Some implications in 2005

It is not the principal task of this study to analyse the immediate political situation in the country and make recommendations on such matters as how the sponsoring organisations should be approaching relations with the government. Nevertheless, our analysis has several implications that ought to be considered by anyone forming a view on the current situation. We are therefore under some obligation to spell out what we think the most relevant points in the analysis are.

2.7.1 *The background*

The bare bones of the background is that the current president, Bingu wa Mutharika, was hand-picked by former president Muluzi as his successor. He was elected on the UDF ticket, with Muluzi heavily engaged in the campaign and then in the initial selection of cabinet members.⁹ However, at his inauguration Bingu committed himself to a series of policy directions including vigorous action against corruption that established him as his own man. He subsequently made several key appointments that confirmed the idea that his presidency would follow a different course from Muluzi’s first and second terms.¹⁰ The appointments included a Minister of Finance and an Attorney General who are highly respected in the fields of public financial management and law respectively. Both men have set about addressing the problems bequeathed by the previous regime.

The about-face by Mutharika provoked a crisis in relations between the new president and the UDF, with whose support he was elected. After months of infighting and tactical moves, the position at the time of writing is that the president and several other senior members have resigned from the UDF, having been first threatened with expulsion. A realignment of forces, leading to the

⁹ To put a little more flesh on these bones, after Muluzi’s Third-Term bid failed, Muluzi’s sponsor, Libya’s President Gaddafi put money on Cassim Chilumpha to become president. A Muslim lawyer, Chilumpha had resigned as Minister of Education after suspicions that he had benefited from an education scandal in which MK190m. was stolen. He was not prosecuted by the Anti-Corruption Bureau (ACB) because Muluzi and the then Director of Public Prosecutions protected him. However, Muluzi knew it was not possible to elect another Muslim and so he searched for a candidate and came up with Bingu wa Mutharika – old, relatively unattached and powerless – instead of allowing a viable alternative UDF candidate to emerge (e.g., Sam Mpasu or Brown Mpinganjira). Many old UDF stalwarts left the party, joined opposition parties or formed new parties as a result of Mutharika’s being imposed in this way. It is surmised that Muluzi’s aim was to put Mutharika in for a few months and then dispose of him somehow, so that Chilumpha would then become president.

¹⁰ Mutharika turned out to have his own ambitions. One of the first signs of his independence was his rejecting *some* (not all) of Muluzi’s cabinet nominations. Some, e.g., Chihana, ended up in cabinet at the behest of Muluzi (as Minister of Agriculture, to pay political debts) but Mutharika refused others. He reduced the number of ministries/ministers and did not appoint some of Muluzi’s henchmen. Then he went after some of them, using the ACB. Both of these were popular moves, gaining him support of people and donors.

formation of a new party of Mutharika supporters, the Democratic Progressive Party (DPP), is now on the agenda.¹¹ One important factor in the infighting is the degree to which an individual has 'dirt' (evidence of wrongdoing that could be brought to court if ever corruption prosecutions were initiated) on another individual. This is apparently interacting in complicated ways with the other major consideration: what political (and/or financial) debts have different actors incurred with others.

The question that observers have been asking on a daily basis during the last nine months is: **how much of a window of opportunity for change in the basic parameters of Malawian politics does the new regime provide?** The answers to this question are clear in some respects and unknown in others.

2.7.2 How much of a window?

One thing that is clear is that Mutharika intends to build his own political following, independent of Muluzi's and on a different but very Malawian basis. He is also quite well-placed to do this. Despite some claims from the UDF that the party has precedence over the government, both the constitution and the presidentialist character of the political system place all of the strong cards in the president's hands. Moreover, this is not the first time in Malawian history that the political leaders of the day selected an elderly man with supposedly limited personal ambitions to become president, with the idea that he would be malleable or controllable. The previous case was that of Kamuzu Banda in 1964. He imposed his personal stamp on Malawi for 30 years.

Thus, political change is certainly on the agenda. The question is how much and of what kind. An obvious danger, in view of the preceding analysis of where Malawi is coming from, is that of reading too much into the significant but highly reversible and anyway comparatively superficial improvements in economic governance that have been achieved since the change of government. The first nine months of the new regime have witnessed significant improvements in fiscal discipline and hence some improvement in the macroeconomic environment. At the same time, the impression has been created that, sooner or later, high-profile prosecutions for corruption and misappropriation of public funds will be initiated. However, this raises questions at two levels.

At the policy level it remains to be seen whether any of this will be maintained, and whether in due course it will be accompanied by a realistic and consistently implemented development strategy and other policies addressing the major constraints now facing Malawi. **At the political level** – which, according to our analysis, is what determines the quality of policy making – the big question is what style of patronage will Mutharika use in constructing the political following that he needs to consolidate his rule and protect himself.

As regards policy, Mutharika and his Finance Minister, Goodall Gondwe, have made it clear that they are concerned with long-term growth. They are worried that Malawi does too much consuming and not enough producing, as witnessed by the structural transformation away from agriculture towards the service sector. (The service sector by the late 1990s was the largest sector in the economy at nearly 50% of GDP compared to agriculture at just below 40%). The Budget Speech made it clear that the government should do more to promote growth-enhancing production. This may be understood as a clear reference back to the policies of the Banda years.

Concerning political styles, it seems quite unlikely that Mutharika will be able, even if he wants to, to act entirely without regard to Malawian political tradition – that is, ignoring the

¹¹ As of 24 Feb 2005, a new party was about to seek registration under this title.

institutionalised expectations that give the state its neopatrimonial character. Mutharika served under both Banda and Muluzi. He is a full member of the Malawian political tradition, despite the fact that he has also been an international civil servant (as secretary-general of COMESA). In any case, as he builds his political following, he will be obliged to pay attention to what his potential allies and supporters expect of him, as well as what he wishes for himself. What is harder to say is whether his approach will be more in the Muluzi tradition or in that of Banda.

At the time of writing, it seems clear that Muluzi's efforts to bring the president to heel have failed. It also appears that Mutharika has fewer political debts to pay than Muluzi did after each of his electoral triumphs, because his election was not paid for by anyone other than Muluzi and the UDF, from whom he has declared his independence. This gives him certain room for manoeuvre. But this will last only for a limited period. In order to get legislation through parliament, he will need to build alliances and some sort of party structure.¹² That will be more the case if it is confirmed that the MCP, which gave him some support during his initial months, can no longer be counted on to vote in favour of key measures. At a minimum, MPs require resources to service their constituencies, and they will pressure him to 'buy' their support in parliament as in the past decade.

It will be open to him not to resort to the outright use of 'money power' in the Muluzi way. He may be able to cultivate other instincts, more in the Banda style. Those might include a bold vision for the country, possibly based on his 1995 book (which makes an argument for pan-Africanism and regional integration as alternatives to dependence on donors). They might also include the adoption of a more authoritarian or disciplinarian posture within a multiparty context. His emerging political alliance seems to include politicians fed up with Muluzi's and his cronies' excesses, and wishing to draw a line under the past ten years of mismanagement and anti-democratic behaviour. What exactly motivates these people remains in question – exclusion by Muluzi and his cronies (UDF Team B), a desire to 'eat' state resources by being placed in senior positions, a real belief that Mutharika offers a new beginning. It is still too early to determine whether the DPP will have a definite regional or religious affiliation. Some degree of reversion to 'patronage following policy', which would be relatively beneficial for Malawi's development, is a possibility.

For certain, the Mutharika government is embedded in a deep neopatrimonial political culture, and it is likely that the forces around him will pressure him to govern in much the same way as previous regimes. He may have an interest in restoring meritocratic principles into some areas of government, particularly where this would give him credibility with donors as a leader with a new personal vision (e.g. in the top echelons of the Ministry of Finance). Any improvements are worth having, of course. However, it is important that it is not assumed that particular changes necessarily signal a more general transformation.

It is unfortunate that substantial changes in the civil service are not on the agenda because the ability of a president to keep his promises depends to a large degree not on his will, but on the capacity of the civil service to function well. For instance, his ability to live within a budget depends not only on the desire to do so but also on restoring the effectiveness of the administrative mechanisms of control. In agriculture, having a real desire to improve production and marketing is important, but without an extension service, credit mechanisms, and other technical requirements delivered by competent civil servants, progress will not be made. Thus, Mutharika will be handicapped by a disabled public service even if he gets other parts of the politics right.

Anyway, the general features of the 'big man syndrome' seem already to be well established in Mutharika's political style. According to recent speeches, the president views himself

¹² MPs may (per Sec. 65 of Constitution) move (without losing their seat) to a *new* party or one *not currently* represented in parliament. They may not cross the floor to a party now in parliament. Conditions are quite favourable in this respect for the creation of a new alliance or party from the different elements around Bingu.

personally as the provider to Malawi's people, with his personal qualities and views being decisive (e.g., press conference on return from Taiwan). Voters should support the president if they wish to get development (e.g., Thyolo by-election speech). State resources are already being 'donated' to communities during campaign rallies (e.g., an ambulance in Thyolo). He has installed himself in State House, which was previously the home of parliament. A casual disregard for proper procedures and legal requirements in public appointments and procurement has been widely noted. The power and discretion being exercised by unaccountable and not very professional presidential aides has been seen as a disturbing element of continuity with previous regimes. The arrest of officials suspected of dishonest dealings has not so far been followed by legally proper and well-prepared prosecutions.

To a limited extent the outcome of this process will be influenced by actors other than the politicians. Independent businessmen probably support Mutharika, to the extent that he and Gondwe promise an improved business climate. It is still too early to know whether Mutharika will build a business empire (as did Banda and Muluzi, though in different ways) as one way of generating funds to political support. Until it is clear that the renewed politicisation of business activities is inevitable, there will be opportunities around the president's growth strategy and the National Action Group's Ten Point Plan to build a coalition based on the common interests of the business community.

Parliament will also have an influence, and not only on account of the way MPs respond individually to material and other incentives. Another critical factor will be whether the main parliamentary committees are able to consolidate themselves as consistent and principled defenders of the public interest (rather than partisan instruments that happen to have the law on their side). Donors will help in the short-run by not assuming prematurely that a new type of government has been established, so that their behaviour tends to add weight to Malawian actors calling for Mutharika to deliver on his more promising commitments, rather than undermining them. There is little doubt that partly as a consequence of the donors' 'disbursement dilemma' and anxiety to turn the aid tap back on, there has been a degree of premature euphoria about the new regime that is not fully grounded in reality.

We discuss the longer-term issues in Section 4.

3 Where is Malawi headed?

This section has a limited purpose and no large scientific pretensions. Its objective is to develop further the description of Malawi's development challenges with which we started Section 2, by doing some forward projections of likely outcomes 15 years from now under different assumptions. Having done this, we are able to return to some of the main themes, and spell out their implications in terms of the prospects for future change in the country and donor relations with government.

The analysis draws upon some excellent work already carried out by Malawi's National Economic Council (the predecessor of the Ministry of Economic Planning and Development) **as a follow-up to the country's Vision 2020 exercise** (NEC, 1998). This work provides a model-based quantification of the outcomes of two scenarios in terms of many economic and social variables considered of relevance by Malawians as articulated in Vision 2020. The projections are derived not from a narrowly economic model but from a 'system dynamics' model that allows complex interactions between various economic, social and natural resource sectors. Known as the Malawi Threshold 21 model, it is an adaptation of the Threshold 21 model originally developed by the Millennium Institute in Arlington Virginia.

A disadvantage of using the results of the existing exercise is that we are constrained by the scenarios that were run. It would be far too time-consuming to use the model ourselves to do our own scenario projection exercise. However, of the seven scenarios run, two are very suitable for our purposes.

3.1 Introducing the scenarios

We have constructed three possible socio-economic scenarios for Malawi. One is based on a continuation of historical trends and policies (the Baseline Scenario); one assumes a significant improvement in domestic policies and institutions (the Optimistic Scenario), and one is based on a continuation of the 'melt-down' that has characterised the past six years (the Melt-Down Scenario). The model gives us what we need for our Baseline and Optimistic Scenarios. The third, Melt-down Scenario, is based on our own simple calculations. It is far less detailed than the other two but is essential in order to provide a realistic range of possible outcomes.

3.1.1 *Baseline Scenario*

The NEC 1998 exercise predicts outcomes through to 2020 based on a scenario representing a continuation of historical trends from the mid-1960s for key economic and social variables. It assumes a continuation of past policy, although does not articulate what this policy is. Clearly, there have been many significant policy changes since 1965. However, what may be said to characterise policy over that extended period as a whole – despite the degree of consistency shown in the first 15 years of Banda's rule – is inconsistency and muddling through. Hence, we do not need to say exactly what policies this scenario consists of. The assumption is that whatever these policies are, they are not consistent or well implemented.

The past trends which this scenario projects into the future are based on data from a fairly long historical period ending in 1998. The most recent, 1998-2004, trends do not affect the extrapolation. Although this might seem a limitation, it also has advantages. 1998-2004 was a period of distinct structural break in terms of economic, political and social welfare performance (a melt-down). Also, basing scenario projections by extrapolating from a lengthy period (something which economists usually fail to do) gives a good sense of historical perspective. It means we are basing our predictions of the future not just on what happened over the past 20 years, in which

external factors were extremely harsh (Mozambique civil war, trade route disruption, inflow of refugees accounting for over 10% of population, collapsing international terms of trade, political upheaval etc.). We are also taking into account the high-growth period of the late 1960s through to the late 1970s.

For these reasons, even though the Baseline Scenario is characterised by ‘muddling through’, we consider it a moderately optimistic one.

The NEC work assumes ‘a continuation of past trends and policies’. However, on the basis of the argument above we may say that the main assumptions of this scenario are:

- ◆ a lack of long-term policy vision;
- ◆ a degree of policy inconsistency;
- ◆ a lack of prioritisation in resource use;
- ◆ weak government/donor relations;
- ◆ failure to appreciate and act upon the fact that Malawi is ‘at the edge of the abyss’; that is, radical action is needed to reverse worsening environmental degradation, increasing poverty etc.;
- ◆ a lack of strong issue-based leadership despite a slow maturing of the democratic system;
- ◆ a continuation of past levels of donor support.

3.1.2 The Optimistic Scenario

In addition to the Baseline Scenario, the NEC exercise also runs six other quite detailed scenarios. Three of them represent distinct policy focuses – one where policy focuses on agriculture, one with a policy focus on growth and one with a policy focus on social sector development. In addition, they run a scenario which combines all aspects of the previous three strategies (which does not perform well in terms of predicted outcomes, as resources are spread too thin) and one which combines selected elements of each strategy.

The latter performs well and it will be the basis of our Optimistic Scenario.¹³ Such a scenario assumes policy consistency, prioritisation, government concentration on core functions and macroeconomic stability. The NEC work does not articulate exactly what will drive such an improvement at a deeper level, which is an important omission from our point of view.

Key assumptions, which translate into specific figures to be fed into the model, are:

- ◆ **Continued support for agriculture as a short-term strategy for growth and food security.** Measures include increasing access to land, raising yields through investment in irrigation, inter-cropping, soil management and appropriate technology. This translates into an increased investment bias towards agriculture until 2008 and 600,000 ha of land added to production via irrigation.
- ◆ **Creation of an environment more conducive to investment both foreign and domestic.** Specific measures include controlling the government deficit, lowering inflation and interest rates and maintaining a competitive exchange rate. Improved infrastructure and security are provided. The assumption is that this will increase the investment/GDP ratio to 25% by 2020 (compared to 17% in the Baseline Scenario).

¹³ The NEC exercise also runs what it calls an optimistic scenario, but this is so optimistic and poorly specified that we do not think it is worth using.

- ◆ **Investment in social services as a long-term development strategy.** This will raise levels of education and health, lower the incidence of HIV/AIDS and lower the population growth rate. This will require protection of levels of government expenditure on social safety nets and an increased investment bias in social services, which will translate into reducing primary school dropouts by 50% and reducing new HIV infections by 20%.
- ◆ **Creation of off-farm employment opportunities to absorb growth in the labour force.** Specific measures include investing in human capital, encouraging small and medium enterprises and researching and disseminating labour-intensive technologies. This will translate into a 1% per annum increase in industrial and service sector employment over the base case between 1998-2008 and an increase in industrial employment to 10% by 2020.
- ◆ **Empowerment of the population, especially women, youth and the poor to participate in development.** Specific measures include promoting democracy, the rule of law, respect for human rights, civil education and cultural values. This is strangely translated into the assumption that is fed into the model, namely, an increase in labour productivity in industry and services by 10% cumulative through to 2020.
- ◆ **Conservation of natural resources and protection of the environment.** Measures include arresting deforestation and land degradation and using resources more efficiently. This translates into a doubling of tree planting.

To some extent we have heard all of the above before in the form of ‘wish lists’ of desirable policy actions, and the NEC work does not explain what will drive these improvements. Its value is that it enables us to quantify some of the outcomes if such improvements occur and to compare these with the Baseline Scenario outcomes. In other words, it shows us what *could* be achieved, with the right drivers in place, and perhaps more importantly, the rather dire consequences that will follow if Malawi continues its long-term pattern of muddling along.

Some of the improvements in policy *capacity* that would be necessary to achieve the optimistic scenario are:

- ◆ policy consistency;
- ◆ long-term vision;
- ◆ strong leadership, able to discipline and co-ordinate both donors and different arms of government;
- ◆ prioritisation of objectives and resources;
- ◆ improved performance of the civil service.

3.1.3 *The Melt-Down Scenario*

The 1998 NEC exercise was carried out before the melt-down of the second Muluzi presidency, and perhaps for this reason did not consider the possibility of a very pessimistic scenario. Hence, we do not have a ready-made modelling exercise to follow. In order to get some idea of the implications if the trends of the past six years were to continue, we take the 1998-2003 annual average GDP growth rate and project it through to 2020, and do likewise for the current population growth rate. This enables us to estimate the 2020 level of GDP per capita. **The results, as shown below, are catastrophic.**

The assumptions of this scenario are:

- ◆ a continuation of the bad governance and corruption of the later Muluzi period;
- ◆ failure to address the collapse of the civil service;

- ◆ failure of democracy to mature to a significant degree into issue-based politics, or strong democratic institutions and processes;
- ◆ a continued lack of donor co-ordination and willingness to compromise in the interests of policy consistency;
- ◆ continued fiscal indiscipline and donor failure to adapt aid modalities to this – hence, an on/off pattern of IMF lending and programme aid that worsens problems of fiscal planning, leading to further build-up of government domestic debt and macro instability;
- ◆ high inflation and interest rates, and exchange rate overvaluation and/or instability;
- ◆ failure of government and donors to realise that Malawi is ‘at the edge of an abyss’ and to act on this, leading to continued and accelerating environmental degradation, increased HIV/AIDS rates and high population growth;
- ◆ persistence of corruption and rent seeking, raising transactions costs for the private sector and inhibiting development of a transparent enabling environment;
- ◆ deterioration of domestic security, scaring off investment;
- ◆ failure to adequately address food-security issues.

3.2 Predicted outcomes

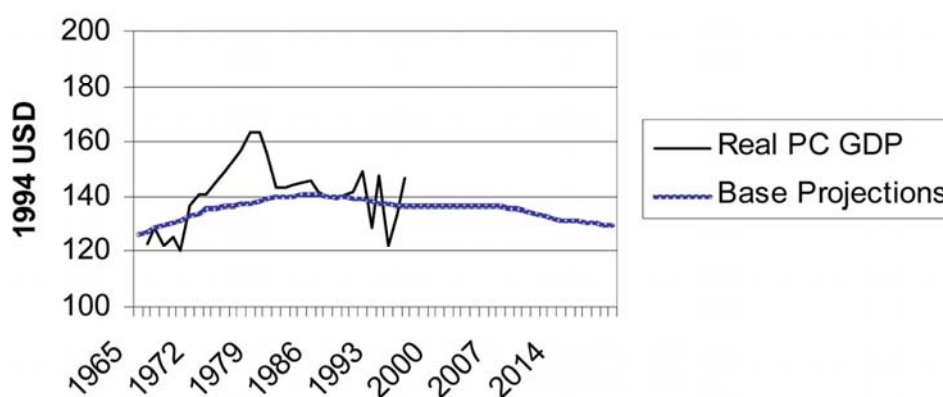
The outcomes selected for analysis are derived from the shared vision of national development goals that emerged from the two-year consultative process as articulated in *Vision 2020 (1998)*. The vision covered goals in terms of economic performance (GDP per capita, economic structure, macroeconomic environment, exports); governance (government expenditure performance); social services (health, population and education indicators); economic infrastructure (transport, telecommunications); social-sector infrastructure (energy and fuel-wood); culture (labour productivity); food security and nutrition (per capita grain production and calorie intake); equality; natural resource management (deforestation); and technological progress (grain yields).

3.2.1 Baseline Scenario (*muddling through and moderate optimism*)

The following are the predictions from the model:

- GDP per capita – stagnation followed by slight decline. **By 2020 GDP per capita has fallen to approximately \$130 (in 1994 \$), which is no higher than it was in 1965, and is below the \$140 per capita of the mid- to late-1970s as well as below the current level.** In other words 55 years after independence Malawians are no better off.

Figure 1: Base projections for real per capita GDP



Source: NEC (1998).

- ❑ Investment/GDP ratio – grows slightly but remains below 20% (hence the slow growth and decline in per capita GDP).
- ❑ Sectoral composition of GDP – Agriculture as a share of GDP continues to decline from around 35% in the late 1990s to 28% in 2020. But the share of industry remains stagnant at just below 20% – the same as it was at independence. **Structural transformation takes the form of continued expansion in the service sector, to around 55% by 2020.** Given that much of the service sector consists of transport, distribution and government services, this does not seem to be a viable long-term form of structural change.
- ❑ Ratio of government deficit to GDP – this remains at an unsustainable level of around 5%, diverting resources from development to debt servicing and destabilising the macroeconomic environment.
- ❑ Family planning – couples practising family planning increase from around 20% currently to over 30% by 2020.
- ❑ Fertility rate – this declines from 7.5 to just below 6 in 2020, which is still high.
- ❑ Infant mortality rate declines from around 135 per 1,000 to 75 per 1,000 by 2020.
- ❑ Population growth – the high fertility rate combined with declining infant mortality implies continued fast population growth, with resulting pressures on land, the environment and delivery of social services.
- ❑ HIV/AIDS – HIV infections fall from around 550,000 to 300,000 in 2020. But, due to an estimated time lag of 5-10 years between infection and death, even with the projected decline in new infections, HIV/AIDS continues to drain resources.
- ❑ Adult literacy and primary enrolment – due to recent improvements in primary enrolment rates, adult literacy continues to increase, for males from 40% to 60%, and for females from 30% to 50%, by 2020. Female primary enrolment will be retained at just above 80%.
- ❑ **Demand for fuel-wood is projected to greatly increase as a result of population growth from around 300,000 metric tonnes to nearly 600,000 by 2020, with serious environmental implications.**
- ❑ Labour productivity – the declining trend is reversed. Using an index of 1988=1, labour productivity fell from 1.3 in 1965 to around 0.98 in 2000 but is predicted to rise to 1.1 in 2020.
- ❑ Food security and nutrition – **average calorie intake per person per day continues the decline which set in after 1973 and falls from around 2,000 to 1,300, below the absolute minimum requirement.** Annual per capita grain production also falls, from 200 kg per person per year to only 130 kg.
- ❑ Agricultural land per capita – this is projected to continue its sharp decline from 0.75 ha per person in 1965 to 0.35 ha currently, and to fall to **0.18 ha per person by 2020.**
- ❑ **Youths entering labour force annually will continue the sharp increase that commenced in early 1980s, increasing from current level of 200,000 to 450,000 per year by 2020.**
- ❑ Deforestation continues, although at a slower pace than the last decade. The current hectareage under forest is 3.5 million hectares. This falls to around 3.1 million by 2020.
- ❑ Average grain yields – science and technology focused on agriculture increase grain yields from around 1 MT per hectare to 1.75 by 2020.

The NEC work says nothing about poverty projections. However, in light of many of the specific indicators analysed above **we can conclude that in the absence of major redistributive policies (which seem unlikely) poverty is likely to become more extensive and deeper.**

One of the things that emerges from the Threshold 21 model, therefore, is that even if we adopt a moderate degree of optimism – that is, we extrapolate trends from a long time-period that includes the high growth years of the late 1960s and 1970s and excludes the latest melt-down – the

outcomes in 15 years' time are alarming. To quote the NEC document's own summary of the Baseline Scenario:

'The projections in the Base Scenario show stagnating incomes, high fertility rates, high mortality rates, high levels of HIV infections, low productivity, declining per capita food production and declining forest land. This scenario presents a pessimistic view of the future and hence demonstrates the need for strategies, or interventions, to change the development course and steer the country closer towards its long-term development aspirations as outlined in the Vision 2020 document.' (NEC, 1998: 25).

Box 3.1 examines the degree to which the conditions for a better economic growth performance are different from or the same as those for pro-poor growth. From this, we can conclude that there is not one set of policies, with their requisite drivers that will generate economic growth in Malawi and another fundamentally distinct, and possibly competing, set of policies and associated drivers that will reduce poverty. The combination of policies most likely to reduce poverty is also the one that is best from the perspective of GDP per capita growth.

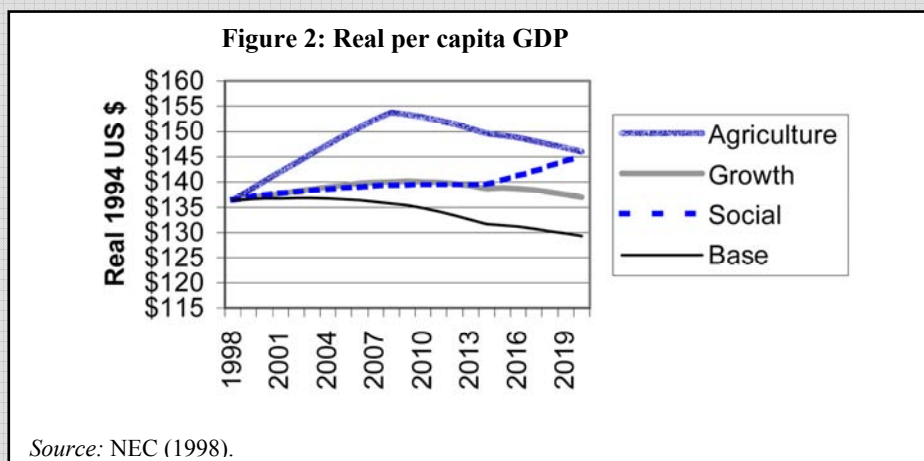
Box 3.1: Growth versus pro-poor growth?

The current Minister of Finance has declared that Malawi should concentrate more on growth and worry less about poverty reduction. Bearing this and the donor focus on poverty reduction in mind, it is worth examining whether the factors that would enhance aggregate economic growth actually differ from those that would affect the pro-poorness of the growth pattern. The results of the NEC modelling exercise throw light on this issue.

In addition to the Baseline Scenario and the Selective Scenario (which we use as the basis of our Optimistic Scenario in section 3.2.2), the NEC exercise also simulated three more focused policy scenarios: the Growth Scenario, the Agriculture Based Scenario and the Social Development Scenario. The Growth Scenario is designed to maximise GDP growth and includes strategies to create a supportive macroeconomic environment, to boost savings and investment, to promote industry and exports, and to commercialise agriculture. The Agriculture Based Scenario includes strategies to boost agricultural productivity, improve food security, improve land utilisation and management, increase employment opportunities and devise adequate safety nets to protect the vulnerable. As such, it includes a more pro-poor focus than the Growth Scenario. The Social Development Scenario focuses on improving the social status of Malawians through provision of good infrastructure and investment in human capital. Strategies include widespread provision of basic social services, promoting good governance, and supporting the environment and natural resources development. As such it would appear to be the most pro-poor focused of the three scenarios.

Simulating the three scenarios on the model and looking at the projected values for some key variables provides some interesting results. In terms of increasing GDP per capita the Social and Agricultural scenarios perform better than the pure growth-orientated scenario. By 2020 the more pro-poor Social and Agricultural Scenarios both result in GDP per capita of around \$145 whereas the Growth Scenario results in GDP per capita of \$137. The explanation is that despite increases in economic production, the failure of the Growth Scenario to check population growth, raise literacy, lower fertility rates and mortality rates, halt environmental degradation and raise labour productivity outside the small industrial sector, translates into a lower GDP per capita.

Although the Agricultural and Social Scenarios produce similar GDP per capita by 2020, their trajectories are different. GDP per capita rises much more quickly under the Agricultural Scenario, whereas the weakness of the Social Scenario is that because it does not strongly address issues of agricultural production, its effects are only seen in the very long term and it fails to alleviate short term problems of income, employment and food security.



What the above analysis illustrates is that if the objective of economic growth is to raise living standards via maximising GDP per capita, then pro-poor strategies actually do better than a strategy that focuses purely on growth. In other words, many of the strategies and factors necessary to enhance growth and living standards are *the same* as those embodied in a pro-poor growth strategy. In addition, to rapidly raise living standards a pro-poorness in terms of focusing on food security and safety nets is more effective than an overwhelming emphasis on social service delivery.

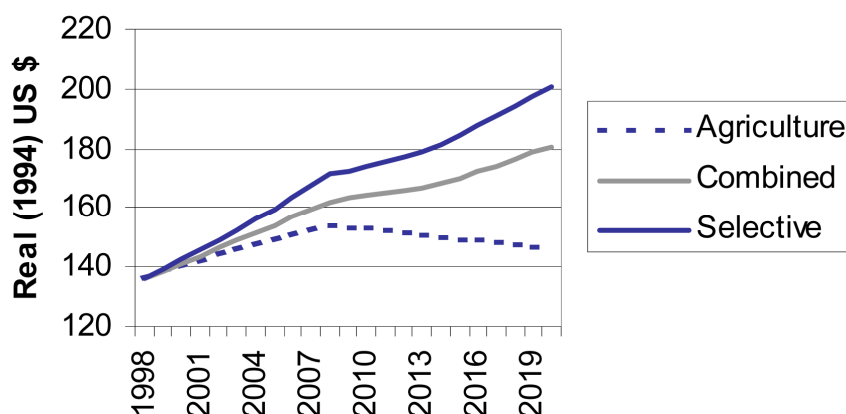
A caveat about the above analysis is that although GDP per capita can be taken as an indicator of average living standards, it says nothing about distributional issues, which are not adequately addressed in the NEC exercise. However, given that the two pro-poor Scenarios, the Agricultural and the Social, translate into improved social indicators and improved food security we may assume that the higher GDP per capita is associated with favourable distributional effects.

3.2.2 The Optimistic Scenario (selected strategies and enhanced policy capacity)

Our Optimistic Scenario (equivalent to the NEC's Selective Scenario – selectively combining the most effective components of the social, agricultural and growth scenarios) **is only analysed in the NEC document in terms of three indicative outcomes** – one from agriculture, one from the macro economy and one from the social sectors. The Threshold 21 model predictions for these are as follows:

- ❑ **GDP per capita increases to \$200 by 2020, compared to the decline to \$130 in the Baseline Scenario.** GDP per capita increases because of the effects of investments in social services, which lower fertility rates, combined with the effects of increased GDP growth.

Figure 3: Real GDP per capita for combined and selective scenarios



Source: NEC (1998).

- ❑ The fertility rate falls from the current level of 7.5 to 3.0 by 2020.
- ❑ **Grain production per capita – the decline in the Baseline Scenario does not occur.** Average grain production per capita increases from 200kg per capita currently to 220 kg in 2010 and then, as the economy diversifies and investment skews towards social and industrial sectors, declines back down to 200 kg by 2020.

Although the NEC does not quantify other outcomes for our Optimistic Scenario, looking at the outcomes for the three focused strategies from which our scenario is derived (growth, agriculture, and social sector) we can deduce the following:

- ❑ Industry as a share of GDP does not change much (even the NEC Growth Scenario focusing policy on industrial sector development only increases the share from around 19% to 21%; given this small share, industry has very little impact on GDP growth).
- ❑ There is some very moderate improvement in government budget deficit as a percentage of GDP; it will stay below 5% GDP (hence Malawi is likely to remain quite aid dependent through to 2020).
- ❑ Social indicators improve – HIV/AIDS prevalence falling in much the same way as in the Baseline Scenario; and as in the Base Scenario there is not much change in primary enrolment, which already exceeds 80% following introduction of free primary education.
- ❑ Fuel-wood demand increases alarmingly, in much the same way as the Base Scenario and the reduction of environmental degradation is slow.
- ❑ Poverty – again, the NEC scenario says nothing about poverty and income distribution. However, the improvement in GDP per capita and in social indicators suggests that poverty should improve.

It is sobering to note that even with our most optimistic scenario the overarching economic objective Vision 2020 ('Malawians aspire to have a diversified and middle-income economy') is not achieved.

3.2.3 Melt-Down Scenario (continuation of recent trends)

Using the data for 1998 which were fed into the modelling exercise, we can roughly calculate GDP per capita in 2020 if the 1998-2003 GDP growth rates and population growth rate are projected forward.

The calculation is affected by whether the reduction in the population growth rate that has taken place in recent years is assumed to be a permanent gain resulting from the expected demographic transition, or a reflection of AIDS-related increases in the death rate, which would be counteracted by successful medical interventions. In the second case, the rate might be expected to rise again before 2020. There are also different estimates for recent and current rates, with the National Statistical Office giving an average of 1.9% for the five years up to 2004 and other independent sources giving 2.4%. Given the above uncertainties, we assume the higher figure, so the calculation is as follows:

1. 1998 GDP (in 1994 US\$) used in the NEC modelling exercise was \$1,628 million.
2. 1998 population used for the modelling exercise was approx. 11 million.
3. We now know that 1998-2003 annual average GDP growth rate was 1.6% and assume population growth averages 2.4%.
4. Taking 1998 GDP and population and projecting the 1998-2003 growth rates for both through to 2020 we get: 2020 GDP (in 1994 US\$) \$2,308.426 million.
5. **With a population of 18,534,963, this gives 2020 GDP per capita of \$125 (in 1994 US\$).**

This is lower than that of the Baseline Scenario which was \$130 per capita and lower than it was at Independence – also \$130 per capita. **In other words, if the 1998-2004 melt-down continues by 2020 average living standards will be lower than they were at Independence. The expected level would be even lower but for the contribution of AIDS-related deaths to lowering population growth.** (The population effect of AIDS deaths counteracts the negative effects on production and growth, which are also taken into account in the projections.) Whatever way you look at this, it can only be described as a catastrophe. We may assume that in light of the catastrophic decline in GDP per capita most other socio-economic indicators will also register a marked decline. Also, without improvements in governance and the pattern of growth, distribution will remain highly unequal.

3.3 What will make the difference?

In the future, as in the past (Section 2.1.3), Malawi's possibilities for growth and development will be influenced by trends and events outside the country. Whether the global climate deteriorates significantly, whether Malawi's trade preferences are eroded or restored; and the nature of Asia's (especially China's) economic impact on the African continent, will be variables of some significance. In the region, the rate of growth and accessibility to Malawian labour of the South African and Zimbabwean economies; continued openness of Mozambique to population movements and cross-border trade with Malawi; and the avoidance of further armed conflict, will all make a significant difference. At the international level, too, the precise balance that is finally struck between the 'brain drain' of professionally trained personnel to the UK and elsewhere, and the reverse flows of remittances to migrants' families will be of some importance.

There is a serious need for research to establish the current scale of these phenomena. We found it impossible to estimate the scale of remittances by simple means such as examining Malawi's national accounts. Important related questions surround the degree to which it is realistic to expect the Malawian diaspora to contribute morally, politically and intellectually as well as financially to the revival of the country's fortunes. This too is a complex topic, worthy of carefully designed research.

It is impossible to say whether these factors outside Malawi's control will be more or less powerful influences than the factors in domestic change. **However, the scenario exercise confirms that altering the assumptions made about the domestic conditions – with the quality of policy as the pivotal factor – make a large difference to outcomes in 2020.** A worthwhile, if not exactly dramatic, improvement in per capita incomes at one extreme contrasts with an unmitigated catastrophe at the other. Combined with the fact that these factors are under the control of Malawians, this gives us every reason to stress them in searching for potential drivers of progressive change.

3.3.1 Drivers of policy change

The immediate drivers of progressive change, reflected in the Optimistic Scenario and based on the arguments of Section 2 are the following dimensions of what we have called policy capacity:

- policy consistency;
- long-term vision;
- strong leadership, able to discipline and coordinate both donors and different arms of government in line with the vision;
- prioritisation of objectives and resources;
- improved performance of the civil service.

We think it is reasonable to suppose that if the capacity of the state were to be improved in these ways, then the content and effectiveness of policies could be improved to the extent assumed for the Optimistic Scenario in all of the key areas (agriculture and food security, investment environment, social services, off-farm employment, empowerment and environmental protection). One of the ways this would work through into better outcomes would be by creating conditions in which more members of the country's elite became convinced that their future wealth could be assured by legitimate private-sector business, rather than by plundering the public purse.

Naturally, the phrases 'long-term vision', 'improved performance of the civil service' etc. have to be understood in ways that take on board fully the arguments in Section 2. We are not referring to the production of more high-quality policy documents, nor do we have in mind the conventional approach to 'capacity building'. The argument has been that policy capacity in all of these dimensions is a function of the prevailing pattern of political incentives in a neopatrimonial state.

3.3.2 Political incentives and policy change

How would the political incentives have to change, and is this likely? The implication of the analysis in Section 2 is that there would need to be a fundamental shift in the way Malawi's politicians build their political followings away from the patronage-oriented state capture that has characterised all regimes since Independence.

There are two steps to this argument. First, there would be some gains for development if the pattern of the last few years, in which the drive to steal public resources becomes self-defeating and

radically destabilising, were modified by reversion to the earlier pattern – without the dictatorial trappings – in which patronage is steered and moderated by some kind of unifying vision. Second, that would, however, only secure a return to ‘muddling through’ and the trend lines of 1965-98, which only provides for a return to Independence-level incomes by 2020. The changes would have to go further than that in order to make possible the Optimistic Scenario.

The more radical change is unlikely in the near future. In principle there are two ways in which politicians’ incentives to use the state as a patronage machine could be weakened, and the incentive to use it to drive national development increased. One would be the emergence of a force from inside the state apparatus, in the society or including elements of both, that would more or less consciously set about transforming the state in the name of some higher cause, most likely some kind of national or religious revival. Such processes have been the principal vehicles for the transformation of patrimonial or feudal (and now, perhaps, communist) states into developmental ones since the 19th century, most notably in central Europe and east Asia.

Almost invariably, however, these examples rest upon the possibility of appealing to a golden era of some kind in the past when the national state was in some sense less compromised morally or more independent. That is, we are dealing with states that have a history (often of warfare with, if not domination of, neighbouring states). The effectiveness of the political movement and the incentives to engage in political action depend on the state’s being a moral community. As we recalled in Section 2.4, a distinctive feature of neopatrimonialism in sub-Saharan Africa is that the ‘civic public’ (the state) is not the focus of very significant moral commitments, even for those who are employed by it. Communications within the national territory have improved considerably since Independence, making the nation a more relevant unit. **Yet the colonial origins of the state still bear very heavily on attitudes, and make nationalism a comparatively impotent force for change.**

That is why, in the African context, it makes some sense to look to the gradual progress of democratic government as a source of developmental change. Empowered voters can and do punish leaders who are considered to have failed, and in so doing they alter the incentive structure facing further generations of politicians. So long as the empowerment is still fairly shallow, as it is throughout Africa, failure will be assessed in fairly crude terms, and may be quite a lot about more or less successful patronage. However, in time the logic of political competition will tend to focus at least some of the time on issues – the effectiveness of governments in providing improved conditions for citizens or supporting institutions that do the same. This will be faster, history tells us, if voters are also tax payers, but it will tend to happen even if they are not.

The trouble is that such processes tend to be cumulative, gradual and slow – partly because the sophistication of voters increases with socio-economic development, urbanisation and literacy. Although modern mass communications can be an accelerator, there are also some dangers arising from the availability of modern media. For example, one of the effects of Malawi’s rather delayed demographic transition, restricted land base and weak growth performance is that in the coming years, a ‘youth bulge’ will unavoidably spill onto a labour market characterised by few employment possibilities. They will become an easily-mobilised constituency for unscrupulous politicians who wish to cause trouble by appealing to regional, religious or ethnic divisions. As downward spirals of change in Africa multiply in number and severity, this raises the question of how much time there is for democratisation processes to make a difference.

We have argued that in Malawi, we cannot see evidence of substantial improvements in the functioning of the country’s institutions of formal democracy. But this does not mean that it ceases to make sense to look for these kinds of changes, and do whatever is possible to promote them. Therefore, the main conclusion to be drawn is that change in Malawi should not be expected to be

fast or dramatic, but to be incremental, initially fragile and in need, therefore, of sustained and patient support. This is the conclusion we draw and submit to the constituencies in Malawi that are committed to political and economic improvement. It is also the main element in our findings and recommendations for donors. **There are no short-cuts.**

What this means for donor behaviour and modalities of assistance is the subject of Section 4.

4 What are the challenges to the aid relationship?

The inclusion in this study of a full section devoted to the aid relationship is an innovation with respect to most Drivers of Change studies, and stems from a recommendation of the Inception Report. There are, as we have seen, good reasons for being concerned about the aid relationship in Malawi. However, that is not the only reason for reflecting on it at greater length. Drivers of Change exercises in Africa have tended to generate interesting analyses whose implications for the commissioning donors are unclear or indeterminate. We think one of the reasons for that is that they do not relate in a strong enough way to the current bodies of thinking that govern donor behaviour.

Consistent with this view, **some parts of the argument that follows simply pursue the implications in what was said in Section 2.6** about how aid has contributed to politically-driven decline in state policy capacity in Malawi. However, **other parts depend on making a new type of connection**, between the country analysis and current ‘theory’ about aid effectiveness and choice of aid modalities. This is particularly the case as we move from the ‘what’ of aid policy in Section 4.1 to the ‘how’ in Section 4.2.

Overall, our analysis suggests that development assistance is very likely to have low effectiveness in Malawi for some time to come. That means that it could, in principle, meet global poverty-reduction goals better (assist more people out of poverty) by being deployed elsewhere. However, we assume that the complete withdrawal of aid would be geopolitically and morally unacceptable to many donor countries. Steps that might improve aid effectiveness but would infringe national sovereignty also have to be excluded as politically regressive. As we suggest right at the end, there may be some scope for co-ordinated international initiatives that would improve the incentive environment in a radical way for the leaders of aid-dependent African countries at large. However, as far as actions within Malawi are concerned **the section is about the options for improving effectiveness at the margin**.

4.1 Improving the substance of aid policy

On the content of donor thinking about what to do in Malawi, we feel there is a need for the following four things:

- more realism about the **long-run nature** of the development challenges Malawi faces;
- **less certainty** and more humility about the solutions;
- more **willingness to compromise** and support joint efforts, particularly if and when a half-decent government approach is on the table;
- more emphasis on **political economy as a central focus** of country programming.

4.1.1 *Realism and the long run*

We argued in Section 2 that short-termism characterises government policy but also exists amongst donors. Malawi is unlike many other countries in the region in regard to the severity of the constraints posed by its demography and environment. It is the most densely populated country in sub-Saharan Africa that has one season of rain lasting only five months. Massive population pressures, very small landholdings and the unreliability of rain present policy-makers in Malawi with a uniquely pressing set of challenges. The country not only lacks substantial mineral wealth (a dubious advantage, if the political economy that tends to characterise resource-exporting regimes is taken into account) but is small and landlocked. On top of this, its politics are profoundly

neopatrimonial and the norms and values of its still largely rural society underpin these features and make their effects even more unhelpful to development initiatives.

In spite of this, many donor staff behave as if they believe that, with their input, Malawi can rapidly achieve sustainable development. Ideologically and professionally, they are predisposed to thinking that they can make a difference. When it proves hard to have a positive impact, they tend to look for excuses, rather than re-examine the realism of their initial assumptions in the Malawian context. Instead of adjusting the approach to more appropriate assumptions, they blame government's 'lack of will' and move onto another policy initiative. It would be better if the starting assumption were that underdeveloped countries are underdeveloped for difficult-to-address reasons, and that if transforming them were easy, this would have been done by the generations of locals and aid workers who have come before.

4.1.2 Less certainty, more humility

The solution of development problems is not an exact science. Expert views on what is likely to work best change quite frequently, sometimes driven by new research or experience and sometimes not. Donor fashions tend to follow with a time lag. It can therefore be quite damaging where, as seems to have happened in Malawi, donor staff have pressed particular options on the country with the passion of late converts.

Over the past decade, thinking about rural development has been strongly influenced by the livelihood diversification model, as well as by a commitment to rolling back the state to enable private-sector development. **There are grounds for thinking that these ideas have been rather mechanically applied to Malawi, without a sufficient appreciation of the country reality.**

This partly reflects the underestimation of Malawi's unique agro-economic conditions. Everyone in Malawi wants to see livelihood diversification, but opportunities are currently limited, and this sad state of affairs cannot be wished away. The transition to a more diversified economy can only be achieved on the basis of improved productivity in agriculture. That is only likely to be achieved with the state playing an active role. Given an extremely weak private sector and insecure maize markets, farmers will only have the confidence to move away from subsistence maize production if an agency, such as Admarc, is able to ensure the availability and affordability of food.

Research-based thinking is increasingly questioning the simple polarities that inform this debate. It is not a case of maize *versus* other crops or the state *versus* the private sector as donors in Malawi have seemed to say. Donor views on fertiliser subsidies have tended to reflect rather generalised and old-fashioned theory, rather than a good theoretically-informed grasp of the country reality. For example, in 1994 donors insisted that the fertiliser subsidy be removed and that this would actually result in increased fertiliser uptake. They were proved wrong and as a result had to support the Drought Recovery free inputs system, which eventually became a Starter Pack. Current research is increasingly providing new reasons for thinking that input subsidies and public investments in agricultural research are essential for kick-starting the transition that rural Africa needs.

There can be no objection to taking a view on these issues, but **the lack of a solidly grounded consensus on many of the issues suggests the importance of arguing with caution and humility.** This applies particularly to policy dialogue with a government partner whose policy capacity is (for political reasons) unusually weak and where donor theories may actually establish policy.

Moreover, even in such circumstances **donor staff should bear in mind the possibility that the issues on which they are expressing views have been debated and written about in the country for a long time.** A relevant example is the excellent work on growth strategies and projections by NEC that we have used for our scenario work. Most donors today do not seem to be aware of the NEC work (which was supported by UNDP) and are going ahead with in-house exercises of the same kind. Unfortunately, the erosion of civil-service policy capacity and some of the factors reviewed that affect relationships between donor and government staff mean that in this case the information about previous exercises may well not be volunteered. This is likely the case across most sectors.

4.1.3 Willingness to compromise

The policy consistency that Malawi needs will not be able to be achieved so long as all participants in the policy dialogue insist on what they consider the first-best policy options. It is difficult, for example, to see how the government can be encouraged to work out a sensible agricultural strategy when one key donor is insisting that the country should give up on maize and another that it should aim to be a maize exporter. As one Malawian in our focus group on agriculture noticed, ‘Everyone is jumping in with ad hoc money. Someone needs to get on top of things and provide co-ordination and direction. There’s far too much traffic going on’. This is partly a matter of aid harmonisation, which we discuss further on. But it is also a matter of intellectual attitude, and related to the problem of insufficient humility.

Even if they know they are right, advisers should be prepared to support solutions that are second-best but will command a consensus and thus be able to be pursued consistently. **The politics of donor compromise or the second-best approach has occasionally worked very well in Malawi.** For example, in the early 1980s the World Bank and the IMF were willing to compromise over the restructuring of Press Corporation. The company was on the verge of a collapse that would have had severe ramifications throughout the economy and possibly led to the collapse of the formal banking system. Yet Press was the centrepiece of Banda’s political rent-seeking, so that the issue was highly sensitive.

The World Bank quickly came to realise that it would have to compromise if there was to be any chance of solving the Press problem and hence abandoned the idea of completely removing Banda’s interest in the company. The compromise, which the donors did not like but nonetheless accepted as the only viable solution, was to create one private company and a distinct Press Investment Holdings Trust. Banda transferred his shares into the Trust and became the senior trustee and the restructured Press Corporation was legally obliged to pay an annual fee of MK1 million into the Trust, with this fee being the first claim on Press’s accrued income each year. Despite discomfort at this arrangement, ‘it was deemed by the Bank to be a necessary cost to obtain the co-operation of the owner, and an enforceable way of controlling future withdrawals and ensuring they were in no way excessive, as they had been in the past’ (World Bank, 1987: 17).

As in this example, **appropriate compromises need to take into account not just technical differences of opinion, but also local political and political-economy considerations.** In any policy area relating to food, the ‘politics of food’ cannot and should not be ignored in Malawi. Food-security policies, for example, need to be designed in a way that takes into account the factors that will influence their implementation and the likelihood that they will be implemented at all. This does not mean accepting corruption and malfeasance in the food sector. It just means accepting that food, especially maize, has unavoidable political ramifications. National and household-level maize self-sufficiency was the cornerstone of Banda’s populist political platform. In the future, too, leaders will inevitably ‘make politics’ with food, partly because food surpluses are one of the

government's few liquid assets. That needs to be factored into policy design, so that it becomes on balance a source of strength.

Box 4.1 describes what could be regarded as a notable failure to support a second-best policy that commanded local support and a degree of consensus. This example leads us to believe that in thinking about aid effectiveness at the country level, there needs to be less concern about maximising impact and **more consideration of optimal solutions, which achieve reasonable impacts that are politically viable and sustainable, and therefore will be implemented.**

Box 4.1: Starter Pack and the failure to compromise

The Starter Pack (SP) scheme was launched by the Malawi government in 1998. It consisted of a free pack of inputs – fertiliser, maize seed and legumes – to be universally distributed to all smallholder families. It was the product of a highly competent analysis by local technocrats of the severe problems of declining soil fertility and maize yields. SP was designed to address this issue by enabling farmers to adopt and experience new technology in a risk-free manner. It also boosted maize production by 300,000-400,000 MT, so contributing to food security by reducing the consumer price of maize (most Malawian households are net food purchasers). By addressing the food problem, it was also hoped that SP would kick start the process of livelihood diversification.

In retrospect it was thought that SP was not necessarily the first-best solution to food security problems in Malawi. Concerns were expressed that it was untargeted and expensive, and might lead to a dependency syndrome; furthermore, most farmers knew the benefits of the technology, so the problem was not exposure but affordability. Consequently, after initial support from DFID, the EU and the World Bank, all the donors apart from DFID pulled out. In addition, they insisted that SP be scaled-down and targeted as a component of the safety-nets programme. Thus, SP became the Targeted Inputs Programme (TIP).

The donors pulled out without any substantial alternative of their own in place to deal with pressing food and productivity issues. The very small SPLIFA inputs-for-assets programme only covered around 60,000 families and was more of a safety-net than a programme designed to deal with agricultural productivity. Other small projects such as AIMS were focused on longer-term and often still unproven solutions. Far better would have been to accept the approach supported by government and work with it on ways in which it could be modified and improved – for example converting it into a massively scaled up SPLIFA-type inputs-for-assets public works programme.

Unfortunately, the opposite now seems to have occurred, with donors pulling out of both TIP and SPLIFA. In the words of one Malawian involved with SP, 'The donor community was at worst hostile and at best lukewarm to the programme. The exception was DFID who announced that they were willing to support the programme until someone devised a better intervention to tackle chronic food insecurity'.

Likewise it has been noted:

'Alas, this smallholder productivity programme was hijacked by the donor determination to transform it into a safety net programme, targeted to the poorest ... The shift to safety net also muted the focus on productivity. Composite maize with lower gearing (maize/nitrogen) was substituted for the hybrids ... The African solution was distorted substantially as filtered through donor lenses – targeting replaced universal coverage; an untested system was substituted for a proven one' (personal communication, member of original Starter Pack design team).

4.1.4 Political economy and the country programme

The country's political economy, as outlined in Section 2, needs to be taken seriously into account in the design of all components of a donor's country programme. That means positively recognising the potential of politics to drive forward good or reasonable programmes in the way we have just been suggesting. It also means building into all programmes quite a lot more care and attention to possibilities of derailment. Box 4.2 describes what could be considered a case of grave neglect on the part of donors who promoted reforms in Malawi's famine-response system but did not 'keep their eye on the ball' to the degree that would be expected.

The serious things that happened as a consequence of the way the National Food Reserve Agency was set up were predictable on the basis of the analysis in Section 2. Those responsible in the donor community may have underestimated the degree of degeneration that has affected the public services in Malawi. More likely, they may have failed to appreciate the neopatrimonial political logic that legitimises the use of public resources, including food, to pay off political debts – what was done appears to have been done purposefully, and donors would not have expected that. A third possibility is that they were not naïve in this sense, but were in the technocratic habit of factoring out the political-economy challenges – relegating them to the ‘Assumptions and Risks’ column of the Logical Framework, so to speak – rather than making them a central focus of programme thinking.

In a similar way, it is essential – if we are right in Sections 2 and 3 about what the main obstacles to better development outcomes are – **that helping to transform the political economy becomes a central objective of donor *country* programmes.**

We deliberately say *helping*. All of the arguments we have been putting forward suggest that domestic politics and public affairs are what determine the pace of improvement in these matters. Our discussion of conditionality in Section 2.6 is a reminder that, according to a large body of research, conditionality is a weak instrument for achieving institutional changes unless there is a significant domestic constituency promoting these (and/or a uniquely powerful incentive such as European Union accession is currently providing to some countries outside Africa). Therefore, greater use of ‘political conditionality’ as a lever is not what we are proposing.¹⁴

It is also clear that this cannot be the *only* central focus, especially if the donor expects to make a large financial commitment to the country. The absorptive capacity of programmes aiming to address key political and governance issues will not normally be large. We would not expect the model used recently by DFID in Peru – where the country programme focused almost entirely on civil rights and social exclusion – to be applicable in Malawi. However, a relative change of emphasis towards (or back to) support for political institutionalisation processes would be justified in DFID’s case, and possibly for Norway too.

In view of our earlier assessment of the pace of democratic development, this should be embarked upon on the clear understanding that it is a commitment for the long haul. There are quite unlikely to be any ‘quick wins’. Quite intensive efforts on the part of the professional staff of the donor agency are also likely to be needed. The identification of the right entry-points for support to democratic development will call for skill and close attention, sustained over a period of years.

This is not a new field of activity. After the 1994 multi-party elections, several initiatives were launched aimed at strengthening parliament. This included a residential capacity-building programme for individual MPs organised by the University of Malawi at Zomba. A major programme followed for ‘Strengthening the Interface between Malawi Parliament and Civil Society’. This was launched in 2001 and ran for three years to the end of 2004. Funding and technical support were provided by DFID and USAID, with implementation by the US-based National Democratic Institute. Some priority should be given to learning the lessons of these important experiences, especially what they tell us about the conditions for sustainable change over a long period.

¹⁴ This is not to argue that conditionality has no place in country programmes, and certainly not that the aid relationship in Malawi has entered a ‘post-conditionality’ phase. Specific measures may be able to be promoted in this way, particularly if they can make a real difference on their own and if there is a constituency for them in the country (the improvement of the law regulating the ACB may be an example). The point is that large-scale institutional changes are the least amenable to this sort of treatment. Some political conditions – e.g. in the human rights area – may be justified and required for ethical reasons, but that also is a different matter.

Box 4.2: The 2001/2 food crisis and neglect of political economy

The 2001/2 'food crisis' in Malawi was no simple famine. Famines are seldom simple, and it has been shown that in this case, as usual, hunger occurred more because of a failure of effective demand for food arising from underlying changes in the position of poorer households, including some caused by AIDS, than because of a collapse in supply. 2001 grain production was only 8% lower than the decade average. On the other hand, the ability of the country to respond to this situation was compromised by a problem of availability of food reserves to meet emergency-response needs. This was the case, notoriously, because the state's Strategic Grain Reserve had been run down to an irresponsible degree as a result of collusion between Admarc officials and grain-market operators linked to the president's circle.

The story has been written about at length, and has been the subject of several public enquiries. We do not need to repeat all of it here. The essential detail is that the governance of Malawi's food reserves had been the subject of intensive donor-promoted reform effort over the previous few years. A new National Food Reserve Agency (NRFA) was established as a Common Law Trust in 1998, with the idea of reducing the politicisation of the SGR and reducing Admarc's financial deficit. However, in a number of respects the set-up of the NRFA was deficient, leading it to be dependent on Admarc facilities and service. Meanwhile central government continued to be involved in grain-market operations using internal borrowing for this purpose. Conflicts of interest were a notable feature of the Admarc and government operations, which was the reason for creating NRFA in the first place. But the agreements required to bring the SGR effectively under NRFA's control were never committed to paper or made legally binding.

Under these conditions, technically sound advice from the IMF and elsewhere to limit the SGR to a modest, revolving stock provided the pretext for large sales, on unfavourable terms and with considerable diversion of funds to corrupt officials, at exactly the wrong moment from the point of view of an adequate response to the 2001 harvest shortfall. The response was late and costly in terms of both malnutrition-related deaths and public finance.

We do not accept the proposition, advanced by Muluzi, that the IMF advice caused the food crisis. However, there is quite a strong case to be made, which is accepted by IMF staff, that the donors generally did not do enough checking up on the progress of the reforms they initiated, did not take sufficient account of what long-term residents know about 'how Malawi works' in designing the institutions, or were affected by the usual causes of short-termism among donors – staff turnover, lack of institutional memory and changing fashions at headquarters. This is hardly a less serious form of complicity.

Attention should be given to ways of improving the functioning of all Malawi's constitutional arrangements for the separation of powers. The judiciary and the constitutional bodies other than parliament that have a watchdog role (the Ombudsman, Human Rights Commission, etc.) are obvious candidates. However, precautions would be needed to make sure that support is less ad hoc and donor-driven than in the recent past. More effective enforcement of the constitution's prohibition against the president and ministers engaging in private business (section 88A) could be another immediate objective. A political cost should be attached to breaches of these norms. This might require legislation, but is not otherwise impractical. For example, the Presidential and Parliamentary Elections Act could be amended to provide that 'no person can be registered as a parliamentary or presidential candidate if he or she has not declared his or her assets, or has at any time induced, aided or abetted abuse of power or corruption by a public servant'.

Consideration might be given to assisting any tendency to transform Malawi's political parties into principled, interest-based parties, with internally-democratic or at least rule-governed structures. The German party foundations have had long experience of this type of work, and we understand there is growing interest in it in GTZ. DFID's Peru programme included working with political parties on selected issues. In our analysis, it is unlikely that much headway will be made in restoring the civil service to its former position until political leadership becomes less personalised, and the key to that is the party system. The same may be true of the de-politicisation of the environment for business. At least, any measures that seem worthwhile to support changes in these areas would face better prospects if combined with action on the party system.

There is a strong fund of experience of civil-society and mass-media support in Malawi, with some successes to be claimed. We would not want to over-state the potential of non-governmental campaigning organisations, given what we have said about the structure of political incentives. However, in the long-haul perspective that we are saying needs to be adopted, engaging with the media, the university, trade unions, human-rights watchdogs and other citizen groups remains important. In the words of Alexis de Tocqueville, ‘in democratic countries, knowledge of how to combine is the mother of all other forms of knowledge; on its progress depends that of all the others’.

Work with civil society obviously needs to be aware of the possibility that links to donors and the utilisation of large donor funds by small, weak organisations will do more harm than good. Common trust-fund arrangements may be necessary to avoid a position where the donor/civil society interface reflects the patron-client relationships of the wider society.

Imperfections in the current set-up of civil society also need to be recognised. In Malawi, civil-society responses to economic and social challenges have tended to be event-driven and not strategic. They have too often focused on symptoms rather than structural causes. For example, they have tended to focus on condemning corrupt individuals rather than addressing the deeper causes that create the incentives for corruption. There are partial exceptions. The Centre for Social Concern and Malawi Economic Justice Network (MEJN) have both sought to link poverty to deeper structural causes, including the structure of the international economic system.

At the same time, major components of civil society have compromised their moral authority, particularly at times of intense political competition. For example, during the 2004 elections most Christian faith-based organisations compromised their role as independent actors by first favouring one presidential candidate (Chakuamba) over all other candidates, and then switching to support Mutharika when he started to distance himself from the UDF. This was despite having initially condemned Mutharika as having been propelled to the presidency in a flawed election. This flip/flop encouraged political leaderships to discount moral standards on the basis that even the faith-based civil society groups do not act on the basis of consistent principles.

Inter-religious rivalry (voiced in sometimes vitriolic radio wars between the Catholic Radio Maria and Radio Islam) has further eroded the moral clout of the faith-based organisations associated with those groupings. Some faith-based civil-society organisations have also lacked a humanistic, realistic and practical response to the country’s critical social/economic challenges, including HIV/AIDS (‘abstinence is the only solution/condoms are sin’), poverty (‘the poor will always be with us’), gender inequality and the rights of children (‘family hierarchy is the natural order of things’). Such faith-based responses have taken responsibility off the shoulders of political leadership and reduced the demand for accountability from their congregations. Therefore, donor engagement needs to contain as strong an element of dialogue about ideas in this sphere as it does in relations with government.

Access to information and the associated awareness-raising amongst the population are obvious preconditions for other democratisation efforts. However, traditional ‘civic education’ approaches by NGOs have tended to be erratic, to have uneven coverage and to be too donor-driven. A more sustained and comprehensive approach would centre on the expansion of the currently limited network of public and community radio. Greater information provision using modern media might be productively combined with a re-examination of the lessons learned by DFID’s Transform Programme and other rights-oriented initiatives. Renewed attention to adult literacy would have a place in this approach.

It might be argued that there is little new here with respect to existing or past ideas about entry points for governance work. There may be some truth in that, but only with respect to entry points understood in a conventional way. The suggested approach involves a substantial break with the past in emphasising:

- the vital need for a **long-haul commitment**, not ad hoc responses, based on a clear understanding of the political economy;
- the importance of a **proactive engagement** by donor advisory staff in identifying specific issues on which incremental changes in incentives or a real constituency for change exist;
- the need for a **learning-process approach**, where incentives to use information for learning purposes are built in;
- and programme designs that allow a **low-cost switching of method or addition of components** when initial assumptions are called into question.

There is a conclusion implicit in these recommendations that needs to be made explicit and defended against a possible misunderstanding. Giving political economy the central place in a country programme as suggested here would involve maintaining a substantial portfolio of projects. It is hard to see how anything other than the project modality could be used. However, it matters very much how it is used.

Recognising that there is a continuing place for projects is *not* to say that donors can afford to carry on with business as usual. On the contrary, we are arguing for a radical shift in donor behaviour, including the way projects are designed, managed and adjusted. This forms part of a wider perspective, set out in Section 4.2 in which aid agencies are urged to work together in new ways, using all appropriate instruments, to encourage the effective resumption of the leadership of development efforts in Malawi by the Malawian government.

4.2 Ways of working: the new aid agenda and Malawi

Malawi is without doubt a difficult country in which to apply the more advanced elements of current international thinking about aid and its effectiveness. The disappointments and setbacks of the last few years might lead one to be quite cynical about some of them, but cynicism is not the appropriate response.

Our analysis of the country situation actually confirms in most respects the validity of the *principles or aspirations* that constitute the new aid-policy agenda – aid harmonisation with government in the driver's seat; alignment of donor programmes around country-owned policies; using government systems and avoiding parallel project management structures; adopting of programme modalities (SWAps or budget support) whenever possible; and decentralisation of offices and policy dialogue to country level. At the same time, **it suggests the vital importance of not pursuing these objectives mechanically, as if they could be pursued by a standard set of aid *practices* regardless of country context.**

We argue this with reference to four topics:

- aid harmonisation;
- alignment and country policy-ownership;
- programme modalities;
- decentralised offices and staffing.

4.2.1 *Aid harmonisation*

The aid *alignment* agenda is hard to implement where the national policy process is as weak as described in this paper. **This is an obstacle to aid harmonisation too, to the extent that the best harmonisation happens when government leads it.** However, efforts to increase aid co-ordination would clearly be feasible and worthwhile, even if they have to be undertaken under donor (e.g. UNDP) leadership. As we noted earlier, the deterioration in aid co-ordination is in some respects quite recent and contingent upon personalities. There seems no good reason why the situation in Malawi has to be worse than in, say, Zambia (where a joint harmonisation action plan called HIP – Harmonisation in Practice – has been in place since 2003). In the Malawi case, it would be good if harmonisation initiatives could take fully on board what has been said in this paper about a) neopatrimonialism as the source of government’s weak policy capacity, and b) the way donor action has tended to exacerbate the problem in some respects.

There are some positive elements in the current aid pattern in Malawi from the point of view of harmonisation – the modest number of agencies in the country, and the delegated funding practised by Sweden/Norway and DFID/USAID. These should be retained and deepened.

4.2.2 *Alignment and policy ownership*

The whole argument of this paper confirms that the emphasis in current aid theory on country policy ‘ownership’ is right. Conditionality does not work without it, except in limited ways. Donors cannot solve the fundamental problems of development in very poor, ex-colonial countries like Malawi because those problems have to do with the nature of the state. It follows that the philosophy that led to the launch of the PRSP initiative remains sound. It is worth trying to promote in-country policy debate by means of PRSP processes, SWApS and other efforts to align aid with the results of country policy processes.

But it also emerges clearly from the Malawi experience that there can be a conflict between pursuing the PRSP *objective* (build country policy ownership) and making the PRSP document a principal point of reference in country assistance planning. Donor efforts should focus on building, and trying not to further damage, national policy capacity, on the clear understanding that the deficiencies that appear technical have a political origin. That focus will not be possible if – under instructions from headquarters or for any other reason – agency staff are compelled to declare that out of respect for country ownership the PRSP has to be the central focus of the country programme. Building or rebuilding the country’s capacity to own policies may well mean paying serious attention to the PRSP, but that should not be automatic or independent of the quality of the process sustaining the PRSP.

Like all PRSPs and more than some, the MPRS is a wish list, without much substance on the ‘how’ of implementation. It also lacks the linkage to a Medium-Term Expenditure Framework which has been shown to be an important initial step in making PRSPs implementable. The MTEF initiative went off-track some years ago, as the formal budget process was submerged in informality during Muluzi’s second term, becoming pure ‘theatre’. Therefore, an essential prelude to revising or relaunching the MPRS is the restoration of the credibility of the annual budget and the restitution of some form of decision process on medium-term expenditure ceilings (not necessarily the MTEF as originally conceived). A further major investment of energy in social participation and policy dialogue around the PRSP will not be justified until at least some headway has been made in this process.

When the moment comes, it may be that a fresh approach to PRS priority-setting will be needed anyway. The current president and Finance Minister are apparently of the view that what

Malawi most needs is an economic growth strategy, not a strategy for poverty reduction. Malawi needs growth, but – if our argument in Box 3.1 is right – there is no solid basis for opposing growth (assuming that means per capita growth) to poverty reduction. The approach that is likely to generate the highest GDP per capita by 2020 is not the one that focuses on maximising GDP growth in the next few years, but the one that incorporates elements of a ‘pro-poor’ policy, support to smallholder agriculture and social services. There is therefore an important debate to be had. But the terms of the debate need to be different from those around the PRSP in 2000/1.

In any case, the notion that a pro-poor spending plan is one in which certain budget lines (usually primary social service provision) are singled out for increased and protected allocations appears to have had its day. Former Minister of Finance Jumbe (2003) was keen to do away with the PRS priority expenditures in the budget. This was regarded with concern by NGOs and donors. However, the concept of protected sub-sectors has also come under attack in the PRS revision processes in Uganda and Tanzania, on the valid grounds that it weakens the incentive to improve efficiency in those areas while also discriminating unduly against economic infrastructure and services.

In several respects, therefore, the kind of strategy for poverty reduction that is appropriate in the Malawi context needs some rethinking. The revision of the MPRS that is formally required will be one process among others in which donors and national NGOs can contribute to this debate. However, in doing so they need to keep their eye on the objective of country policy ownership and not allow themselves to confuse ends and means. **Whatever the shape of Malawi’s second-generation PRSP, donors are going to need to engage, proactively and at all viable entry points with the structural determinants of the weak policy capacity of the state.**

4.2.3 Programme modalities

The theoretical basis for preferring programme approaches such as common-basket SWaps and general budget support is also sound. However, the theoretical basis needs to be distinguished from the reasons that some donors currently have for moving fairly rapidly from project to programme modalities, especially budget support, which is that these are (from the donor’s point of view) a low-cost method of disbursing an increased budget.

Programme modalities have quite demanding preconditions for success, which have been set down in various policy papers and evaluation frameworks. The conditions for SWaps and budget support are different, and we deal with them in turn. **The gist of our argument is that it is doubtful whether any of these conditions currently exist in Malawi.** Together with the suggestions above about the need for a continuing portfolio of projects to address the key political-economy constraints, this has a major implication – that donors should not be expecting an early ‘move upstream’ in their approach to aid delivery in Malawi. A more harmonised way of delivering a well-constructed mixed portfolio of forms of support may be the best that can be managed for some time to come.

We consider the prospects for sector programmes and budget support modalities in turn.

Sector-wide approach programmes (SWaps) presuppose a degree of self-interest in pooled effort and strategic policy-thinking among sector stakeholders, and some expectation of stability in these relationships. However, if we are right about the constraints on the civil service imposed by the mode of operation of the Malawi political system, this poses a significant barrier to agreement on sector policies. Senior sector planners may not have enough delegated authority to engage in genuinely shared policy-thinking with donors. They are unlikely to see the advantages of

pooled funding for an agreed policy direction. They may well find greater material benefits for themselves (trips, workshop allowances, etc.) in a donor free-for-all.

This may not be the same in all sectors. Our focus-group interviews were not a sufficient basis for making judgements about any of the sectors covered – education, HIV/AIDS and agriculture/food security. However, some general comments are possible.

The social sectors are generally considered easier to manage by means of a SWAp and agriculture is especially difficult everywhere. In Malawi's agricultural sector, a sufficient target for the period ahead is for donors to avoid giving inconsistent advice and show greater willingness to support, if need be, local second-best solutions, on the lines of our earlier argument. They should *not* be pulling out of successful projects at this stage. The long-term objective may be to fund a coherent sector strategy under government leadership, passing the funds through the central budget. However, several building-blocks need to be put in place before that would be a realistic prospect.

On the face of the matter, the preconditions for a successful SWAp do not yet exist in the education sector. There is limited knowledge of national policy among key players; no strategic policy-thinking among them in critical areas (direction and regulation of private education, future of vocational training, linkage between output of secondary and input into tertiary, etc.). There has been no sector-wide functional review. In any case, there is little capacity for policy implementation and management in the ministry. There is also no evidence of any self-interest in pooled effort. On the contrary, there has been sharp competition for resources among the different sub-sectors (basic vs. tertiary, etc.), encouraged by donor inconsistency, over the years. Many observers seem to consider that the conditions for a health SWAp are better, and that some significant progress is being made.

The argument about budget support is complicated by the fact that programmes are of more than one type. It is worth distinguishing:

- ◆ 'traditional' programme aid with objectives limited to macro-economic stabilisation and directly related policy reform; and
- ◆ new-style direct budget support, viewed as a means of financing the implementation of a PRSP and enhancing relevant government capacity.

We would argue that the current bilateral budget support to Malawi is of the first sort, and that it is important not to let it be confused with the second. This is important because the tendency of headquarters thinking, with some justification, is to see 'new' DBS as a comprehensive and exclusive method of delivering a country programme. That is, where it is possible to implement, it can and should take the place of separately managed projects and common-basket funding arrangements. However, the preconditions for success of new DBS are quite stringent. They include that government policy capacity and accountability to parliament are on an upward trend, so that passing funds through the budget becomes a way of empowering national accountability institutions.¹⁵ But we have concluded that there is no such trend in Malawi.

In other words, current budget support in Malawi has to rest on the more limited, 'traditional' rationale for programme aid, which is about mitigating the impact of a very bad macroeconomic situation (thereby improving the climate for a recovery of business confidence) and/or creating space for specific reforms of a limited sort – e.g. restoring a formal budget process. Evaluations do suggest this sort of thing can work. What it will not do is solve the longer-term political-economy problems.

¹⁵ This is based on the General Budget Support Evaluation Framework adopted for the current joint evaluation programme. It is strongly confirmed, in both positive and negative ways, by the results of the country evaluation for Tanzania.

We find the DFID programme memorandum quite clear in this respect. Consistent with this approach, we are reliably informed that there is no DFID policy favouring the closing down of successful projects in order to make room for an expansion of budget support. There is nonetheless a perception among some well-placed observers outside DFID that this is the trend. An example given is the recent decision not to renew funding for the SPLIFA project.

SPLIFA is an ‘inputs for assets’ public-works scheme that many feel should be scaled up as an important and effective tool for achieving food security, social safety nets and agricultural productivity objectives. It is argued that it is all the more important for donors to support such projects now that they have pulled out of the TIP. Moreover, DFID’s pulling out of SPLIFA may lead the World Bank to revise its intention to fund the programme. USAID – the original funder – evaluated it as one of their best-ever projects in Malawi. **If the DFID decision on SPLIFA is unrelated to its current thinking on the appropriate mix of aid modalities in its country programme, this may need to be communicated more clearly.**

Adopting a ‘traditional’ approach to programme aid has implications for the type of conditionality or performance assessment that is appropriate. First, the Combined Approach to Budget Support (CABS) donors are **correct in not developing an elaborate matrix of institutional reforms as the basis for performance monitoring and disbursement**, as budget-support groups in other countries have done. Since the reliability of the disbursements is the key to the stabilising function of the funds, a very simple and focused set of conditions is preferable.

Second, these should be different from – or at least not directly triggered by – those used by the IMF. This is not because the focus of the current Staff Monitored Programme or a future PRGF is wrong, but because inter-linkage of conditionalities maximises the negative features reviewed in Section 2.6. That is, it increases the chances that slippage or default on the government’s side will not incur any sanctions, because donors cannot bring themselves to turn off the tap entirely, which compromises the technical judgements of the IMF staff. In the next phase, it increases the chances that government will call the donors’ bluff once too often, provoking a catastrophic simultaneous suspension of aid. We understand that for these reasons both the DFID and the Norwegian budget support are guided by the donors’ own assessments of Malawi’s performance against the IMF targets.

In summary, the analysis suggests that budget support should be used in a graduated way, meaning two things. First, the programmes should have obtainable objectives, which is to say they should be focused on policy improvements for which there is a real appetite within government. They should be allowed to expand only as and when the political commitment to reform becomes broadened. Second, donors should de-link their disbursement conditions as far as practically possible, in order to minimise sharp swings and increase the use of intermediate signals of disapproval.

Intermediate sanctions are more credible. They are also more likely to be regarded by parliament and domestic pressure groups as supportive of their efforts to demand better performance from government. Conditionality linkage tends, in contrast, to result in donor actions that are perceived by these stakeholders as an attack on the nation.

This point needs to be stressed particularly when, as in 2004/5, the donors are in their ‘honeymoon phase’ with a new government that has been saying the right things about sound macro-economic management and corruption. This is the type of situation in which it is most easy to underestimate the effects on actual policy of the political make-up of the state.

4.2.4 Decentralised offices and staffing

The kind of country programme that is suggested by the Drivers of Change and Development analysis clearly calls for a decentralised office. **It also calls for the office to hire high-calibre staff who are prepared to be very actively engaged in the local social and political milieu.** It has been argued, correctly we think, that in ‘poor performer’ countries, or where aid partnership is particularly difficult, agencies should be deploying their best and most experienced staff.

Means need to be found of making sure that all the professional staff are informed by analysis of the country political economy. That may just mean regularly updating the kind of analysis contained in this paper and in the initial Country Analysis. Using these and other available reading materials as an essential part of the basic staff induction is an obvious step. However, it is probably necessary to go some way beyond that, and undertaking regular joint exercises to construct ‘patronage network diagrams’ or trees that provide the necessary detail on who is running the country and with whose help. That could cover companies, individuals, institutions, parties, and the relationships between these, as well as who is married to/sleeping with or otherwise related to whom. Without this type of knowledge, agency staff are not going to be in a position to make the kind of decisions they need to make about what might ‘work’ and what will not.

There may be scope for using more local staff and using them better. However, good local staff should be recruited because they are good, and not because they are local. Preference should be shown for those who have valuable experience and judgement about sectors, institutional areas or the grass roots, not those that may be expected to conform to the office culture or make the organisation look good. Short-term staff exchange programmes could be considered too (e.g. a political science lecturer from the University and a governance advisor exchange places for one month or similarly short period that does not cause undue de-stabilisation on either side). However, extensive poaching of staff from the civil service is to be avoided.

All staff should be encouraged and enabled to get out of the office, do fieldwork and otherwise engage with the national culture. Projects have advantages over programmatic aid modalities from this point of view, which is an additional reason for not winding up too many projects in too much of a hurry. Staff reporting and appraisal systems could be used to require staff to demonstrate engagement. The lessons learned about this by some international NGOs would be relevant.

4.3 Drivers of change analysis and international aid policy

One comment on the first draft of this paper was that while its action recommendations were consistent with the diagnostic part of the analysis, they were not commensurate with it. That is, the enormous scale of the developmental challenges identified was not reflected in an equivalent radicalism in proposing remedies. The final draft remains wide open to this objection. In fact, it seems likely that this will be a standard type of response to the type of country-level political economy that Drivers of Change studies provide. What is the problem?

Answering this question goes well beyond the terms of reference of the Malawi DoC exercise, but it is worth giving an indication of a possible answer. **Drivers of Change studies, as presently defined, focus on country-level political-economy problems to which the solutions are probably not going to be found at the country level.**

This is not to say that we believe, after all, that there are global or regional change processes at work that will solve the development problems of countries like Malawi. It certainly does not mean that the international aid business can by-pass the necessary transformation of country political systems – our whole analysis confirms that they cannot. But governments in the North may have

some capacity to accelerate the otherwise slow and painful emergence of effective developmental states in the poor countries of Africa. If so, **it will only be by means of co-ordinated initiatives on a continental scale that alter the incentive structure facing national leaders.**

This is not the place to develop an argument about how such an initiative might be organised.

In 2005, the Commission for Africa was an opportunity to begin to sketch out some options, an opportunity that some would say was wasted. We did not discuss this issue within the Malawi Drivers of Change and Development team and therefore have no joint view on it. But to those who argue – correctly – that the implications of the Malawi country analysis are not sufficiently addressed by the recommendations we make to the donors and other stakeholders in Malawi, we would suggest the step of shifting the policy discussion onto the international plane.

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