

Poorly Performing Countries: Malawi, 1980-2002

Diana Cammack, Ph.D.

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Acronyms

ACB	Anti-corruption Bureau
ADMARC	Agricultural Marketing Corporation
AFORD	Alliance for Democracy
AU/OAU	African Union/Organization of African Unity
BOP	Balance of Payments
CABS	Common Approach to Budget Support group
CARER	Centre for Advice, Research and Education on Rights
CHRR	Centre for Human Rights and Rehabilitation
CG	Consultative Group
CJ&P	Catholic Justice and Peace
COMESA	Community of East and Southern African States
CSO	Community service organisations
Dfid	UK Department for International Development
DPP	Director of Public Prosecutions
DRC	Democratic Republic of the Congo
ESAF	Enhanced Structural Adjustment Facilities
GOM	Government of Malawi
HIPC	Highly Indebted Poor Countries Initiative
IFI	International Financial Institutions
IMCHRD	Inter-ministerial Committee for Human Rights and Democracy
IMF	International Monetary Fund
LDCs	Least Developed Countries
LICUS	Least developed countries under stress
LIPPS	Low income, poorly performing states
MACRA	Malawi Communications Regulation Authority

MASAF	Malawi Social Action Fund
MBC	Malawi Broadcasting company (public radio 1 and 2)
MCHHR	Malawi Centre for Human Rights Resources
MCP	Malawi Congress Party
MDG	Millennium Development Goals
MISA	Media Institute of Southern Africa (Malawi chapter)
MP	Members of parliament/National Assembly
MYP	Malawi Young Pioneers
NCT	Malawi's National Compensation Tribunal
NDA	National Democratic Alliance
NEPAD	New Partnership for Africa's Development
NICE	National Institute for Civic Education
OECD	Organisation for Economic Development
OPC	Office of the President and Cabinet
PAC	Public Affairs Committee (faith-based NGO)
PANA	PanAfrican News Agency
PAP	Poverty Alleviation Programme
PPE	Pro-poor expenditure
PRSP	Poverty Reduction Strategy Paper
PTC	People's Trading Stores
SADC/SADCC	Southern Africa Development Community
SAP	Structural Adjustment programme
SSA	Sub-Saharan Africa
SWAp	Sector-wide approach
TEBA	Malawi-South Africa labour agreement
TIP	Targeted Inputs Programme (Starter Packs Programme)
TVM	Television Malawi (public TV)
UDF	United Democratic Front
UNDP	UN Development Programme
USAID	United States Agency for International Development
WB	World Bank

Kwacha: value

The value of the Malawi kwacha was nearly the same as the US dollar in 1982. From 1992 to February 1994 there were about four kwacha to the US dollar, at which time the government let the exchange rate slide, and by December 1994 it had reached 15 to the dollar and by the end of 1996, sixteen to the dollar. In August 1998 it was 27 to the dollar, 69 to the dollar in September 2000, and by July 2002, seventy-four. It remained fairly stable at K90 to the dollar from late 2002 to mid-2003 when it rose to K97. In mid-August 2003 it collapsed to K105 For comparison sake, a driver earned about K10,000-12,000/month in late 2002.

Executive Summary

This report is part of a larger study by the Overseas Development Institute in London on 'poor performance' – i.e., those countries that show little sign of economic growth or improved social indicators no matter how much development assistance reaches them. It is one of four case studies (the others are on Sudan, Rwanda and some states in India) which provide detailed information to be used to draw conclusions about the characteristics and causes of poor performance and inform discussions about more efficient ways of delivering aid.

Malawi's underdevelopment results from a number of factors, including its landlocked position, poor natural resource base, reliance on rain-fed agriculture, and low levels of social capital and technical and social ingenuity. Most importantly, Malawi's neopatrimonial system and structures keep Malawi's development assistance from being used equitably, efficiently, on pro-poor expenditures, or for the betterment of the nation as a whole. Neopatrimonialism also undermines private sector growth by creating an environment where the rule of law is weak, where investment flies in the face of risks and low returns, and where the administration finds it impossible to operate within its budget or to undertake necessary structural reforms.

The report begins with a brief survey of Malawi's political economy, focusing on the period 1980-2002. The detail can be found in *Annex 1*. Dr. Banda's legacy is critical to any understanding of Malawi's underdevelopment and its failure to consolidate its democracy: civil society is weak, many of Malawi's current leaders held positions in Banda's regime where they learned to govern, commerce and industry are underdeveloped, and agriculture remains central to the economy. Agriculture is dualistic, with estates generating most of the nation's foreign exchange while more than 80% of the population lives on overcrowded plots, growing subsistence crops with backward technology. Their yields are low, hunger is normal, malnutrition is widespread, and famine is not uncommon.

The 'transition without transformation' in 1992-94 was relatively peaceful, changed macroeconomic economic policy little, and many of old regime's laws, institutions, and leaders survived 'the change'. Extreme rights abuses came to a halt, though rights protection has deteriorated again in recent years. The new government's 'poverty alleviation programme' placed more emphasis on directly helping the poor by providing free primary schooling, liberalising agricultural (especially tobacco) production and marketing, and creating programmes (largely funded by donors) to give employment, food aid, and agricultural inputs to the poorest. Government, donors and specialists agree, though, that the poverty alleviation programme has not generated economic growth because of the 'absence of a well-articulated action plan'.

Governance has played a role in this failure, for the new president's focus has been on achieving UDF numerical superiority in parliament. His people have been prepared to use any means to do this – manipulating the powers of parliament's speaker, undermining the independence of the judiciary, attacking the independent media and opposition politicians, amending the Constitution, allegedly 'buying' opposition MPs, influencing the electoral commission, abusing police powers, etc. That confrontation (rather than negotiation with the opposition) was adopted is tragic because ideologically, the three parties in parliament are not significantly different and their social and economic policies would have been similar. Yet this method of rule and the history of governance since 1994 are perfectly consistent with the logic of neopatrimonialism.

The aid regime has consistently requested the same things of Malawi: well-designed budgets and fiscal discipline; reduced budget deficits, domestic borrowing, interest rates and inflation; timely,

transparent and accurate reporting; economic growth of at least 6% per annum; a stable kwacha; improved revenue collection; privatisation of inefficient parastatals; structural reforms; better pro-poor expenditure targeting; liberalisation; prosecution of corrupt officials, etc. These are expected to create an environment conducive to private sector investment and growth. But since 1994 the government has only periodically managed to achieve some of these targets. By and large, and especially since 1999, it has failed to do so. Thus, in late 2001 the 'Common Approach to Budget Support' group of donors followed the IMF and halted budgetary support, though project and humanitarian aid continues.

The report summarises the characteristics of poor performance, and analyses them in terms of 'empirical sovereignty'. The post-transitional government fails the empirical sovereignty test because it has not ensured that the public has prosperous lives, good quality institutions, and social integration and because it is not responsive to the poor.

The underlying reason for poor performance is because the Malawian government is neopatrimonial, using the definition provided by Nicolas van de Walle and others. Its concerns are those of the elite, not the poor, and its policies and practices are moulded by self-interest and patronage, and a desire to retain control of state resources – which are the only assets worth fighting over in Malawi. Where some observers say that 'a lack of political will' or 'weak governance' explain poor performance, analysts using the neopatrimonial model argue that the deliberate will of the elite to use power and state resources to support its own networks, with little regard for the poor or the nation as a whole, is to blame for poor performance.

International agencies that ignore the wilful and deliberate effort by the elite to use domestic and international resources to benefit themselves will continue to see their funds subverted, wasted and misused. Similarly, the impotence and inefficiency of parliament, the constitutional bodies and other government departments should be seen in this light: real power lies elsewhere and is manifest in neopatrimonial systems and structures, which are largely unobserved, wholly unaccountable, and undermine the functioning of state institutions. Providing aid to such a regime ensures that it remains in power. Donor failures also contribute to poor performance in various ways.

In delivering aid, agencies cannot focus solely on economics, for good governance and politics stand at the centre of good performance. In this spirit several recommendations are made – to use aid funds to strengthen civil society (so it can do its job of holding government accountable), to provide aid to government in a contractual manner with set benchmarks, to renegotiate the PRSP, to prioritise civil service reform; to analyse the role of governance (and neopatrimonialism) in economic performance continually; to select aid modalities in light of the need to monitor performance regularly; to consider the implications of 'ring-fencing' pro-poor expenditures; and to make aid dependent on key governance reforms.

Poorly Performing Countries: Malawi, 1980-2002

*You can't run away from the economics that impinge
on politics or politics that impinge on economics.*

Friday Jumbe, Minister of Finance,
Blantyre, Malawi, 10 May 2003.

1. Introduction

Using almost any set of indicators Malawi may be characterised as a poor and underdeveloped country (*Annex 2*). Its progress towards achieving the Millennium Development Goals is uneven, and reflects the failure of government to implement pro-poor policies effectively. The purpose of this study is to identify the principle impediments – including domestic political and structural impediments – to Malawi's economic development; to analyse the role that various local and international factors – especially international development assistance – have played in the nation's continuing underdevelopment; and to identify effective, feasible and accountable policy approaches to improve performance and 'pro-poor' (basic health, education, and social protection) services.

Several causal factors are fundamental to Malawi's poor development performance.¹ These factors interact in a circular manner, reinforcing one another in complex ways, and all are influenced by the quality and style of national governance and international assistance. Some of these factors are:

- public decision-making and implementation influenced by a neopatrimonial socio-political system that undermines meritocracy, equitable growth and nation-building
- lack of natural resources,² high levels of inequality, and elite resource capture
- reliance on agriculture where there are high population densities on degraded agricultural land, using backward farming technology and depending on rain while global warming appears to be increasing the incidence of drought
- low levels of public and private investment in productive sectors
- de-industrialisation and disinvestment
- little emphasis on human capacity building, resulting in low levels of social capital and social and technical ingenuity, partly to blame for low levels of compliance
- poverty that results in under-funded institutions that are meant to generate growth and improve performance
- weak rule of law, corruption with impunity, human rights abuse, and social conflict
- weak civil society, which is unable to hold the government accountable
- poor policies and policy advice

This report begins with a brief survey of Malawi's political economy. The detail is reserved for *Annex 1*. Political events are not enumerated in the text, though certain governance issues and systems are analysed because they are central to Malawi's poor economic performance. (See *Annex 3* for a survey of political events.) The report then places Malawi within a larger context, highlighting regional and global events that have influenced the nation's political economy since 1964. After laying out the neopatrimonial thesis as it applies to Malawi, the linkages between neopatrimonialism, governance, aid and non-performance in Malawi are explored. A periodised

(1980-94, 1994-2001, 2001-02) discussion of international assistance to Malawi follows. The report ends with recommendations regarding the conduct of stakeholders in this difficult development environment, followed by a short discussion about the difficulty faced by analysts when trying to quantify the causes of poor performance.

2. The Political Economy of Malawi

Malawi's political economy lies at the heart of the development problems the country currently faces. Most important have been Malawi's long-term dependence on aid and the existence of a neopatrimonial system of government at least since independence. Though not labelled as such by most specialists, evidence suggests that Malawi fits the definition of a 'poorly performing country'. While aid has poured into Malawi, the structure of the economy has changed little and many social and economic indicators have declined.

Events relevant to the history of Malawi's political economy follow. Details are available in *Annex 1*.

2.1 The Banda Regime

After more than sixty years under British rule, Malawi achieved independence in mid-1964. Dr Hastings Kamuzu Banda became the first president. Under Banda's autocratic rule dissent was violently quashed and a culture of self-censorship emerged. This undermined the formation of a strong and active civil society and enabled Banda to establish a network of comprehensive and highly personal control that had the full power of the law but was completely arbitrary.³

Banda's development model⁴ was largely top-down and unresponsive to the needs of the peasantry. Whilst the nation was praised by foreigners for its economic policies and growth, the prosperity that was generated bypassed the majority of the population and created high levels of inequality.⁵

Malawi experienced a major economic slump at the end of the 1970s that was precipitated by deteriorating international terms of trade, transport problems arising from the war in Mozambique, rising costs of oil and poor weather. This collapse resulted in the assistance of the Bretton Woods institutions and a restructuring of Press companies to divide political interests and commercial functions.⁶ Though these measures led to some economic improvement, the national economy faltered again in the 1990s largely as a result of external shocks, including drought and a reduction of donor financial support between 1992 and 1994 specifically designed to encourage Dr Banda to hold multiparty elections.

The socio-political implications of uneven and underdevelopment were important to Malawi's future development. Without significant productive capacity and little commerce, Malawi lacks a large middle class, forming an elite that is unified and 'committed to democracy in principle...[and with] the ability to bargain with one another, form coalitions, mobilise public support and respond to public pressures and preferences'. Instead the political elite care little about national issues, but are tied by patronage relations to 'big men' along parochial lines of region, ethnicity and religion; the elite are generally unresponsive (even hostile) to the largely uninformed and impotent public. Civic community⁷ is also largely missing, being intersected by primordial, hierarchical networks that undermine it, which also leads to fragmentation and a lack of reciprocity, cooperation and trust⁸ and stunts economic development in Malawi.

2.2 The transition to multipartyism

The transition to multipartyism was negotiated between 1992 and 1994 and was a largely peaceful process. It was aptly described by one commentator as a 'transition without transformation' because many structures, systems and personalities did not change. The economic strategy articulated by the new United Democratic Front (UDF) government and the president Mr Muluzi, conformed to those advocated by the international donor community in the early 1990s. This was partly because the end of the Cold War undermined alternative (socialist or command) economic models, UDF leaders were supportive of opening up the economy (which was dominated by Banda and his cronies) to new entrants, the government had few technocrats with the skills to design alternative strategies, and because the country was highly dependent on international aid and technical advice from donor agencies.

The centre piece of Mr Muluzi's economic policy was 'poverty alleviation', which was meant to prioritise education, health and other social sectors using funds made available by donors, and to ensure that agriculture remains the driving force of the economy. The success of these efforts is questionable and discussed in greater detail in *Annex 1*. Poor governance has played a role in limiting Malawi's ability to develop economically and raise the poorest out of poverty.

Since coming to power in 1994, the President and UDF have been preoccupied with domestic political rivalries, which have undermined the administration's ability and will to address poverty (and other pressing) issues effectively and efficiently. In keeping with the logic of neopatrimonialism, Mr Muluzi has continually tried to achieve UDF numerical superiority in the National Assembly. This attempt to create and maintain a set of loyal MPs has been key to Malawian political development since the transition. Furthermore, to obtain or ensure loyalty the party leadership has used patronage in all its forms. This has, for instance, influenced the award of contracts, the appointment and retention of officials, the protection of corrupt politicians, including ministers, as well as the choice of constitutional amendments, cabinet appointments (and thus numbers), and international relations.

3. Regional and International Relations

There are several past and current regional and international factors of importance to Malawi's political and economic development:

- Decolonisation and the Cold War
- South African destabilisation and apartheid
- African regional relations
- Cross-border interactions

Because Malawi was a British colony, the UK has remained an important donor and influence on policy in the country. Malawi is a member of the British Commonwealth. The fact that Malawi made the transition to independence in the 1960s relatively peacefully (*cf.* Mozambique, Zimbabwe etc) meant that Malawians did not become as politicised, involved and militant as some of their neighbours, nor were they as aware of the political-economic debates current in Africa in the 1960-70s. During the Cold War Malawi was viewed by the west as a beachhead against the creeping influence of the Soviets, Cubans and Chinese, which meant that donors were willing to ignore Dr. Banda's rights abuses and dictatorial excesses. The end of the Cold War

influenced their policy, and donors began to press Dr. Banda to open up the political system and release political prisoners.

Dr. Banda coveted northern Mozambique and in the 1970s-80s this and his anti-socialist views prompted his support for Renamo, Mozambique's reactionary rebel group. Similarly, Malawi was the only black African state with diplomatic ties to apartheid South Africa, though Dr. Banda paid lip service to African liberation. For his recognition of the Pretoria regime, he gained South African support – for instance, the South Africans built the capital city, Lilongwe, in his tribal area. South Africa and Israel trained Renamo inside Malawi, and Dr. Banda allowed the country to be used as a rear base for Pretoria's destabilization campaign (in defence of apartheid) against liberation forces and their regional supporters.

The war in Mozambique cost Malawi greatly: Renamo cut off Malawi's railway line to the sea, trade and investment declined, and after Renamo launched its invasion of central Mozambique, Malawians were forced to host at least a million Mozambican refugees. The war also cut off Mozambique, which had provided Malawians with plentiful rich land and subsistence foods, which put further pressure on Malawi's food security and economic viability. Malawi had no choice but to ask for UN and international NGO assistance, which for the first time opened the country to wide-scale foreign influences. The transition in South Africa at the end of the Cold War affected Malawi – e.g., funding from Pretoria was cut off and reform in South Africa influenced the thinking of some politicians in Malawi (re. truth commission, constitutional provisions, etc), especially as exiles returned from the south.

Malawi is a member of COMESA, and the Southern African Development Community (SADC/SADCC) though it was not a member of the more militant Frontline States grouping (that actively supported liberation in South Africa). In 2002 Mr. Muluzi was head of SADC, a position that added to his prestige within Malawi and gave him the opportunity to act in the international arena. He is particularly close to Muammar Gaddafi (who has extended his financial support for sub-Saharan African leaders in recent years as a part of his African Union initiative). Mr. Muluzi (a Muslim) also has links to other Islamic leaders and is assumed to receive funds from them for party political purposes and to promote the building of mosques. Malawi is a member of the OAU/African Union (AU), though it has not taken a particularly active role in the AU's formation, or in discussions of NEPAD or its peer review mechanism. (Nor are the AU institutions or policies widely known at the popular level). One of the OAU/AU commissioners for human rights is Vera Chirwa – the first woman lawyer in Malawi, ex-detainee (under Dr. Banda), head of CARER, and a critic of the past and current governments' human rights records. She serves as the African Prisons' Conditions Rapporteur.

The genocide in Rwanda in 1994 was explicitly used by the MCP and later other politicians as a warning of what could happen in Malawi if sectarian antagonisms are allowed to escalate. Such examples are used to push for 'unity' – a term frequently heard in Malawi instead of 'tolerance' – whenever conflicts emerge. The Zambian political scene is also closely watched and cited – its transition, Chiluba's attempt at a third term, its genetically modified maize policy, corruption trials, Chiluba's prosecution for corruption while President, etc. The arap Moi government in Kenya provided assistance to the UDF during the 1999 elections. At that time the UDF tried to discredit the MCP by citing its supposed alliance with Renamo and its alleged gun-running with Angola's UNITA. South African investment is evident, in the form of Shoprite for instance, and in the recently acquired majority shareholding in Commercial Bank (now Stanbic). Malawi's Press corporation has investments outside Malawi (in Zambia and South Africa), but there is little other foreign capital flowing in or through the country. Many Malawians still work and live outside the country, and remittances are important to families. The 'brain drain' of professionals

is significant, and it robs Malawi of scarce talent. Government's reluctance to encourage immigration of skilled professionals (by easily granting them residence permits) undoubtedly slows economic growth.

Because Malawi's ethnic groups are not contained by its national (colonial) border, people living near the border in Mulanje, Nsanje, Dedza, Machinji, Karonga, Chitipa and Likoma districts (see map at *Annex 4*) have family and other relations in Mozambique, Zambia and Tanzania. Trade and migration are common across the border, as are local political ties (to the clan chief, for instance), marriages, and land allocations. People might farm on one side of the border (generally in Mozambique) and marry and send their children to school and shop on the other.⁹ Malawi (and its neighbours) has tried to halt cross-border trade in scarce or valuable commodities (e.g., sugar, maize, tobacco, timber) but with little success. Significant revenues are lost because efforts at the regional level to encourage, regulate and benefit from this trade and migration (rather than halt them) have been slow.¹⁰

Organised crime is also transnational. Criminal gangs hi-jack and resell stolen cars (especially Mercedes Benz and 4x4s) throughout the whole region (i.e., from South Africa to the DR Congo), move drugs and guns, and launder money. 'Malawi gold' – the local marijuana – enters the market from the lake shore while hard drugs move through the country (toward South Africa) as there is little demand for these locally. Automatic weapons, on the other hand, are bought (reportedly in Malawi's rural areas for the price of a sack of maize) and used in robberies and car-jackings. Stolen petrol and maize are also shifted across the border (e.g., from Zimbabwe, where government regulations keep prices very low and encourage theft and sale in neighbouring states).

4. Malawi's Performance

The previous sections have surveyed Malawi's political economy, regional relations, and development performance. It is now possible to focus on Malawi's poor performance – i.e., the nation's continuing (indeed, deepening) underdevelopment in the face of massive inputs of foreign assistance. First, the characteristics of Malawi's poor performance will be enumerated, and then its underlying structural causes analysed.

It is easier for foreigners to discuss the characteristics of poor performance than its causes. This is because poor performance is often related to the lack of 'political will' to change and to poor governance, and these are assumed to be in the realm of domestic politics and therefore, out of bounds. Furthermore, many foreigners fail to see the underlying neopatrimonial decision-making processes in the country.

Knowing and understanding these characteristics doesn't explain what causes them, or why they persist or re-emerge with such regularity in spite of being the continual target of sustained project planning, technical assistance, and donor funding. (See Table 2)

4.1 The characteristics of poor performance

Table 1: The characteristics of poor performance in Malawi

<i>Characteristics of poor performance</i>	<i>Evidence of poor performance</i>
Expansionary fiscal policy, poor public expenditure management and lack of fiscal restraint, lack of spending control and discipline	<p>Overspending of budget through extra-budgetary expenditures</p> <p>Misuse of public money for low-priority expenditures such as travel, subsidizing inefficient parastatals and augmenting civil servants' wages, etc.</p> <p>Increasing public debt (including international debt) and therefore repayment rates</p> <p>No evidence of long-term commitment to pro-poor expenditures until the arrival of HIPC funds which are earmarked for PPE, and even then there has been some evidence of a substitution effect.</p> <p>Reduction of important expenditures (for anti-corruption, ombudsman, human rights commission, judiciary, etc), thus undermining these services</p> <p>High rates of interest as a result of public borrowing, which generates high interest rates and therefore, denies cheap funds to private sector and slows or reverses growth</p>
Weak and delayed public expenditure monitoring; poor statistical accuracy, weak and late information and reporting ¹¹	<p>Facilitates lack of accountability and transparency</p> <p>Inability of government, public and donors to know how money is really used</p> <p>Makes forward planning and budgeting inaccurate</p> <p>Inadequate financial accounting and therefore analysis and control of spending and efficiency, which facilitates fraud and corruption with impunity.</p>
Poor social indicators	<p>High levels of malnutrition, child and infant mortality, illiteracy and school drop-outs, HIV/AIDS and other diseases (TB & malaria, etc)</p> <p>High fertility rate, dependency ratio, maternal mortality</p> <p>Low life expectancy, low rates of female literacy and school attendance</p>
Inefficient parastatals	<p>Major financial bail-outs by government at public expense</p> <p>Inefficient and expensive service delivery to public</p>
Slow or negative economic growth and outputs	<p>Lack of new jobs for school-leavers</p> <p>Increased levels of importation and reduced exports, which affect balance of payments, forex balance and exchange rates, etc.</p>
Poor national agriculture/food security policy and implementation; environmental degradation	<p>Low rates of production on land, regular household hunger and frequent national 'emergencies' (and need for humanitarian aid)</p> <p>Periodic high food costs, increasing inflation and contributing to 'stop and go' inflation, which reduces domestic investment and savings</p> <p>Periodic need to subsidize food production and consumer costs, which undermines budget</p> <p>Degradation of land (soil fertility), forests, water sources, game reserves, and air.</p> <p>High rates of individual chronic malnutrition (affecting educational attainment and</p>

<i>Characteristics of poor performance</i>	<i>Evidence of poor performance</i>
	personal productivity, morbidity and mortality rates and therefore health care services/costs)
Weak regulatory and legal framework for economic operations	Facilitates corruption, fraud and political and other misuses of public resources Hinders foreign investment
High percentage of funds spent by central government at HQs	Poor service delivery at local level to the poor, e.g., lack of medicines, high student-teacher ratios, poor agricultural extension services, few feeder roads, etc. Over-staffing and 'ghost workers' in HQ
Low levels of taxation & tax collection	Reduced national income, unbalanced budget and higher rates of dependency on foreign aid
Lack of civil service reform	Inefficient, wasteful service provision, bloated civil service with low morale and low pay, expensive pension system, need for functional and structural changes

5. Empirical Sovereignty

5.1 Quality of state institutions

Effectiveness

Malawi's state institutions are weak – the legal framework is often shaped, ignored or undermined by political ambitions and the independence and effectiveness of the judiciary and constitutional bodies are threatened by politicians and by under-funding. Customary methods of dealing with crime and injustice are also breaking down, partly because political structures undermine the traditional power of chiefs and partly under the impact of HIV/AIDS. Corruption has become worse across all sectors, and the ruling party seems to lack the will to use the Anti-Corruption Bureau (ACB), the police or the courts to prosecute corrupt politicians and senior officials. The political system is generally dysfunctional and sometimes non-functional (e.g., during parliamentary boycotts, due to parliamentary committees' inaction or the politicised decisions of the speaker, the bribing of MPs with impunity, etc). Malawi's check-and-balances do not operate as intended – the executive frequently overtly influences parliament and its speaker. The bureaucracy is bloated, inefficient and wasteful.

The public is dissatisfied with, and has low expectations of, politicians and government services and personnel.¹² The state is unable to supply the basic requirements of life – adequate health care, sufficient food, quality education, security and protection, justice or a regulatory environment that supports economic activity. Malawi's major reforms, in areas such as decentralisation, land tenure, the civil service, fiscal management and privatisation, have generated few developmental or democratic benefits for the bulk of the population (some, such as the proposed land reform or agricultural policies, may actually make the situation worse when implemented fully).

Table 2: Summary of three donor development and governance programmes in Malawi, 2002

USAID promotes Malawi's sustainable development through market-based economic growth and support for democratic governance, which are seen as closely linked. Its activities concentrate on aspects of policy and institutional change to enhance the efficient delivery of goods and services, to foster continued democratic progress and to address health and social problems. It supports agricultural, reproductive health, HIV/AIDS, environmental, basic and girls' education projects. Its democracy programme aims to increase participation of civic society in economic and political decision-making and debate; works with parliament to promote its role as an independent, accountable and responsive institution; supports the electoral commission to ensure that elections are conducted in a free and fair manner; and helps the legal system to strengthen the rule of law in Malawi.

DFID supports the four pillars of the PRSP. Budget support is potentially DFID's primary financial instrument; the programme is being revised to include technical support and to set benchmarks to improve pro-poor budgeting and expenditures. DFID aims to improve government's financial management and accountability through technical assistance, including support for anti-corruption measures, progressing the MTEF, and conducting expenditure tracking studies. It also supports food security, livelihood, health, education and access to safety/justice/security programmes. It intends to increase aid to programmes that promote civil society involvement and voice, government accountability and civil service performance.

The **European Community** provides macroeconomic support and aid to sectoral projects and programmes in support of the government's poverty reduction strategy. EC support is focussed on two sectors – agriculture/food security/natural resources and transport infrastructure as well as on macro-economic support, especially in the social sector in education and health. On-going programmes in non-focal areas will be restricted to continued assistance for the micro-projects programme, for civic education to support the democratisation process, for good governance activities as well as for non-state actors. The EC provides budgetary support to government.

Source: DFID 'Malawi: Country Assistance Plan 2003/04 – 2005/06' at www.dfid.gov.uk/Pubs; USAID 'Malawi' at www.usaid.gov/pubs/cbj2002; and 'Malawi-European Union, Country Strategy Paper and Indicative Programme for the period 2001-2007' at <http://europa.eu.int/comm/development>

Evidence also suggests that the government is not doing a particularly good job of protecting the population from crime, violence, the 'hazards of the life cycle', or natural crises – all of which are increasing in frequency and intensity. Divisions based on religion, region and party are becoming more pronounced and violent as politicians use these to garner support. Rights abuse is increasing too. The state is unable to supply the basic requirements of life – adequate health care, sufficient food, quality education, security and protection, justice, or a regulatory environment that supports economic activity.

Legitimacy

Malawi conforms to the classic definition and description of a neopatrimonial state: a 'hybrid regime' where modern bureaucracies coexist beside 'political authority [that]... is based on the giving and granting of favours, in an endless series of dyadic exchanges that go from the village level to the highest reaches of the central state' (van de Walle, 2001). Clientelism is at the core of this relationship. The formal bureaucratic system is 'constantly subverted' by neopatrimonialism, and 'office holders almost systematically appropriate public resources for their own uses'. The

system is 'residential' in that power is 'centralised around a single individual, with ultimate control over most clientelist networks'. This person 'personally exerts discretionary power over a big share of the state's resources'. The weakness of organised civil society facilitates the creation and maintenance of this system of rule, and the government's lack of accountability to public is one of its prime characteristics.¹³

In its attempt to control and expropriate state resources, a neopatrimonial regime will actually promote interventionist (as opposed to liberalized and open) economic policies. This, by definition, allows the elite to 'siphon off potential state revenues' through rent-seeking, cronyism and intervention in the economy. It is not that such a regime has low levels of 'extractive capacity', but the 'political logic of [such] a system [is that] the authority of the state is diverted to enhance private power rather than the public domain'.¹⁴ As such it is not in the interest of a neopatrimonial regime to have a 'highly capable state', civil service or technocrats. Thus, investment in capacity building or public sector reform is low. Overall, the 'obstacles to reform have always been in [the] elite arrangements within or very close to the state apparatus rather than in the broader versions of clientelism' that reach down into the rank and file. Policy decisions are often 'linked to the interests of state elites as they seek to adapt the course of reform in such a way that clientelist networks are maintained or allowed to be reinvented'. Also, 'the main beneficiaries of partial reform tend to be top state elites, who are close enough to the policy process to take advantage of the illicit opportunities around the process of policy change.'¹⁵

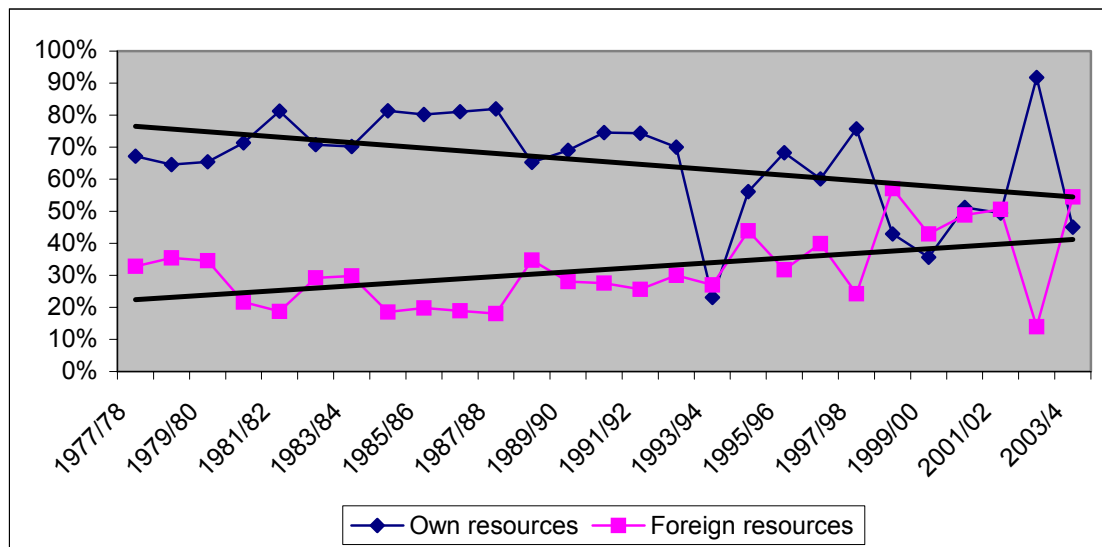
Donors play a proactive (though perhaps inadvertent) role in supporting the neopatrimonial state. First,

aid resources and in particular the aid given for the purposes of structural adjustment, have served an essentially conservative function... by lessening the incentives of African governments to undertake policy reform. The combination of massive aid increases and uneven or ineffective policy conditionality has ensured the sustainability of policies that otherwise would have been disciplined by market forces. In brief, aid has made policy reform less likely, not more.

Thus, in the neopatrimonial Malawi government has not had 'to scrimp and save' because foreign assistance has generally been made available. Specifically, it has not had to accept responsibility for the poor, because pro-poor, i.e., development, expenses have increasingly been met by donors. Donors provide 80% of the development budget. They currently give some \$500 million per year *cf.* an annual GDP of approximately \$2 billion.

When budget support is flowing, donor funds make up between one-third and one-half of the budget. Therefore, 'psychologically and in practice the government can absolve itself from resource allocation to key sectors'.¹⁶ As aid has poured in, own-resources have declined (Table 3). State institutions are often visible, and assumed to function. When they do not function as expected, the population often sees this as a point of frustration, but this does not necessarily effect their perception of the institutions' authority or legitimacy.

Table 3: Foreign and local budget expenditures



Source: Government of Malawi, *Economic Reports*, various years

Role of aid

Similarly, while donors might recognise that some Malawian institutions are ineffective, they do not necessarily see them as illegitimate or lacking in authority, rather that they are simply malfunctioning. The international community values their existence as they provide a structure with which to interact, and through which to channel funds. But, as noted by Nicholas Van de Walle, while the aid regime sustains state institutions, it may strip them of decision-making power. Thus, policy-making, and importantly, policy-learning by Africans are often undermined by the aid regime.

Aid also reinforces ‘the state’s neopatrimonial tendencies by turning the decision-making process into a series of largely uncoordinated projects with tangible and excludable benefits controlled by state agents’. The result is what van de Walle calls a ‘partial reform syndrome’ where the elite in a neopatrimonial state benefits from decades of structural adjustment, aid and the permanent presence of donors and their donations. ‘Prolonged non-reform’ also erodes state capacity, making it that much more difficult to design and implement effective reform policies in the future.¹⁷

The international community will misperceive the impact its aid can make if it assumes that the power to make and implement decisions actually rests with state institutions and systems. (Donors tend to see things this way, which is why they design programmes that tinker with state structures, functions and processes.) Yet we know¹⁸ that many of the most important decisions – both economic and political – are made by a whole different network of power, generally invisible to international staff – especially if they come to Malawi and go within a short space of time. The key for agencies is to find a way of delivering aid that empowers state systems and institutions, holds them accountable, promotes meritocracy, and shifts decision-making and resources from the informal, traditional, and individualised structures of power, the neopatrimonial system, that are neither accountable nor transparent.

In trying to clarify why donors continue to collaborate with these leaders, van de Walle states that donors are 'easily fooled' by such states because they have 'little knowledge of local politics, remarkably little institutional memory, and a bias towards optimism about the course of reform'.¹⁹ It might be added that donors are also under pressure from their head offices to give funds – as one informant said about Malawi, 'the IMF are only bankers'. Donors are also under pressure from the public and governments of Northern liberal democracies to give a percentage of their national GDPs (as well as debt relief) to underdeveloped and indebted countries like Malawi. Individual employees in donor organizations are encouraged to dole out funds to, and maintain friendly relations with recipients to meet their job performance goals (and thus to safeguard their lifestyles, career paths, and pensions). Moreover, they are virtually unaccountable to the public at home or in the host country.²⁰ Finally, reducing or withholding aid could close down donor offices and send staff home – something that no expatriate staff worker wants to do for diplomatic as well as personal reasons.

So, what is happening in Malawi that keeps it from using aid to benefit the nation? The post-transitional state is clearly neopatrimonial: Mr. Muluzi – the patriarch²¹ – and his close associates – most from the southern region, variously labelled the Zomba or the Mulanje clique – have been in close control of the policy-making often outside the formal structures of government. They benefit from its policies and have been known to scupper or slow reforms that undermine their personal power/financial base. One of the most glaring examples is the Assets Declaration Bill, about which, one local paper noted, government has deliberately procrastinated. Editorialising *The Weekend Nation* wrote that

it is clear that there is no political will on the matter because we do not see anything that could have stopped the Attorney General from pushing for amendment if cabinet was interested in it. And the dilly-dallying is because the issue affects the executive directly. It is a known fact that so many people in government and parastatal organisations have become rich overnight at the expense of their institutions and the taxpayer.²²

Another example is the newly created Procurement Act, which instead of creating a public procurement agency as intended, formed a statutory office accountable to the President. 'This was legislation by ambush', one opposition parliamentarian noted, as the bill did not go to committee nor was it seen by MPs in time to study it before they voted on it. In face of complaints that the law is prone to abuse, the DPP argued that having the President's involvement will 'give teeth to the law'. Another opposition MP was more sceptical, 'I see only UDF sympathisers getting the contracts. Our head of state has failed to rise above party politics in all his dealings'.²³

When members of the ruling clique have been caught in corruption/fraud scandals, they have not been prosecuted but have been removed from one office and posted to another.²⁴ These and other well-publicised cases of corruption with impunity have set the tone of the Muluzi administration.

Authority

The state in Malawi has authority which results from its legitimacy, although the 1999 elections were deemed 'free but not fair' and forthcoming elections in 2004 are unlikely to be any better. With a constitution, three branches of government (executive, judiciary and parliament) and other institutions such as the courts, police and the army to ensure that power is enforced, state structures conform to conventional models. However, as made clear in the preceding discussion, neopatrimonialism in Malawi means that power is not vested in these bodies but instead rests with the President and other patrons, who use state power (and state's wealth) to rule outside (and in

spite of) these formal institutions. Efforts to reform state structures, such as the police and justice system have, and will continue to fail when/where they conflict with the patronage system.

The need for reform

Observers note the difference between Banda's and Muluzi's civil service: the former was relatively honest, disciplined, of high-status, well-paid, professional, and hardworking.²⁵ Today the bulk (though not all) of the bloated civil service is lax, demoralised, underpaid²⁶, distracted by their private businesses, and more easily corrupted. Moreover, like their political masters, the ministers, civil servants see the state and their posts not as a means of helping the nation or its people, but as Anders puts it, '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'.²⁷ Civil servants are embedded in wider patrimonial systems, and so informal cultural norms, kinship and patronage networks, rather than western, Weberian 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. Anders writing about Malawi provides examples: 'an executive officer... rents his own car on behalf of his office', staff take 'allowances for fictive field trips, bribes for the distribution of a deceased's estate' while 'store clerks are selling stationery, headmasters are selling exercise books.... Such practices have spread from top to bottom with disappointed junior officers imitating their superiors...'.²⁸

The resources directly provided by foreign aid are also subject to similar manipulation, e.g., the sale by health department officials of donated medical equipment and drugs to private hospitals or the public, senior staff attending unjustified training sessions or taking unnecessary overseas trips sponsored by donors to accumulate per diem expenses, politicians setting up construction companies to win donor or NGO contracts to build schools and maintain roads (some of which are done poorly or not at all), speculating in or distributing for political gain, food paid for by donors. The World Bank's MASAF (social action fund) might be included in this list, for it has been 'criticised as highly politicised – meaning that the selection of projects is allegedly skewed towards localities that support the ruling party. [There are also] concerns about partisan implementation and outright corruption...'.²⁹ The Targeted Input Programme (supplying agricultural inputs) is sometimes thought to benefit villagers with certain political affiliations over others.

Informants uniformly argue that the civil service needs to be cut back, restructured, and made more efficient.³⁰ One went so far as to state that the main reason for Malawi's non-performance is non-compliance in the public sector, which is due to poor 'people management'.³¹ The private sector, unlike the public sector, is 'forced to manage its human resources effectively. It must get a product out of them' so it 'hires people on a merit basis and can push people out if they do not perform'. This does not happen in the civil service, where managers often 'surround themselves with mediocre and useless people'. Government is unable to set targets for individuals, monitor them or take action if they are not met. While Malawians' reluctance to be confrontational is often blamed for their inability to make hard personnel decisions, he said this is not really the case: they are able to take such actions in private businesses and in their homes. Instead, there is 'not enough pressure on public sector managers to go against, to rise above, Malawians' non-confrontational culture'. Corruption with impunity is only one, more obvious, manifestation of

this problem. In a system where good management is evident, wrong-doers would be punished, if for no other reason than 'to encourage the others' to behave. But 'lax human resource management has allowed corruption to mushroom'.³² Moreover, as another informant confirmed, 'the leadership environment affects the performance of the public service.... The governance problem emanates from the top'.³³

'Because the human resource management environment is ineffective, the system is unable to deal retrospectively with wrong-doers or poor managers'. Public service managers and technical advisors 'continually seek ways to prevent these things before they happen, creating even more unwieldy bureaucratic processes'. Thus, the ACB, which is unable to prosecute individuals after the event, attempts to halt corrupt deals by intervening when illegal contracts are being negotiated.³⁴ When in 1994 the Accountant General was unable to take action against officials writing bad cheques, rather than deal with the officers concerned, bank accounts were transferred to the commercial banks under an agreement which forbade them to allow overdrafts. The disciplinary responsibility was transferred. Similarly, because it is impossible to punish officers who overspend their budgets, laborious systems have been put into place that mean only the most senior officials can authorise payments or sign cheques for payments, 'whether K50 or K50,000'.

All of these structural and systemic changes have been put into place because government cannot 'manage people effectively'. Pressure from above is missing. Fear was the primary motivator under Dr. Banda (though many senior officials also received benefits such as trips abroad, estates and tobacco growing/marketing licenses). Today most civil servants are neither threatened nor rewarded (though senior staff may still receive perks such as trips and training). Civil servants do not 'get excited by their work', they have 'little sense of achievement', they do not feel they are working for the 'public good'.³⁵ Part of the reason is that they see that people around them advance through patronage (e.g., nepotism or regional origin) rather than merit. Also many are frustrated because they are unable to 'implement good ideas, or take the initiative'. A good manager would take such people's suggestions and 'go somewhere with them', and would give their employees 'a vision'. Privatisation, or even 'autonomization' of government departments and parastatals might help, but only if management is reformed.³⁶

Such a system would exist without the donors, but their funds 'make the government's life easier'. It should not, in so far as donor money should not substitute for government funds, but should supplement government monies. But 'in so far as donor money substitutes for public money, it encourages this profligacy'.

Over the years donors have asked the government to restructure the public service to make it more efficient.³⁷ Soon after the transition the international community recognised that the 'bloated' civil service was being used as a substitute for a social welfare system. It clearly needed to be rationalised, reduced in size, and the remaining employees paid better wages. There was some 'murkiness' about the functions of each department, which needed 'clarity and streamlining'. Most importantly, the civil service needed to learn 'management by objectives'. It lacked a strong management culture, and functioned without effective, regular planning with stated objectives. Training was 'supply- rather than demand-driven'. Monitoring and evaluation were weak or absent, and there were no system for the progression of individuals through the service. Functional reviews in the 1990s proposed that such principles be ingrained in the service. Also, key ministries were to be strengthened, planning was to be highlighted, and specific reforms were going to make managers accountable. New grading schemes, and a transparent process for upgrading and retrenchment were proposed as well.

In the mid-90s there was some modest implementation of prescribed improvements. These include the implementation of the Medium Terms Expenditure Framework form of government-wide budgeting and the associated requirement for all ministries to engage in forward planning as well as the recent introduction of a performance management contract scheme for Principal Secretaries and other senior servants. The 'success of the former has been mixed', with some ministries having embraced strategic planning more meaningfully than most of the others. The 'jury is still out' with regard to the contracting of top managers at lucrative rates of pay. They are to be more accountable for their departments' performance and resource management, but it is still unclear whether government will rigorously monitor and enforce these managers' performance targets.

While these reforms hold some promise and are evidence of the government's ability to at least launch selective management improvement initiatives, the fact remains that the majority of the 'macro' civil service improvement initiatives noted above, have failed to be implemented. 'Most [proposals] have collapsed under their own weight; lacked proper technical and management direction from within government; and/or failed due to inadequate donor attention and intervention'. As a result donors' public sector reform packages 'withered' before being even partially implemented and their 'money was frittered away'.

The reasons, according to one close observer, were lack of political will, lack of the necessary competence in the human resources department and a lack of understanding by government of what exactly was needed. Donor follow-through was also weak. For instance, a strategic review in the mid-1990s made good proposals – realign functions and consolidate ministries (while reducing their number) – but government appointed an implementation manager who had little experience of functional reviews and little understanding of what public sector change management required. Hiring civil servants to implement the process also undermined its effectiveness. The 'net effect' was that real, effective restructuring was 'never implemented', though some changes were made.

Donors' behaviour was partly to blame for the ineffectiveness of the process. One of the major donors 'looked the other way after it wrote the cheque'. Also, the turn-over of donor staff meant the process was poorly monitored. Moreover, donors' technical advisors overseeing the programme had a 'macroeconomic bias' and little understanding of human resource change management. Donors, being politically correct, wanted government to 'partner' them in reform, but there was no real will in government to reform the civil service. Besides, even had there been, the government and its management unit were 'not equipped to do the work'. The donors needed, instead, to take a firmer stand and a stronger role. They should have monitored the process more closely, and 'put the brakes on when it went awry'. Eventually, the donors' interest in public sector human resource reform waned – the 'flavour of the month' soon changed to privatisation, decentralisation, and so on. As a result, the public service is now listed as only one characteristic of poor performance and one of several problems in need of attention.

The effect of an unreconstructed public service is that good policies can be devised and money and technical assistance can be made available at the top, but they do not result in better public service at the grassroots level. Technocrats that are skilled, motivated, well-paid, and independent of political pressure, are largely missing. In the health service,³⁸ for instance, the 'work ethic' is weak, and health workers are 'reluctant to take the initiative'. Many health staff are poorly paid, 'unmotivated and demoralised'. Equipment is often 'defunct and poorly maintained'.³⁹ In projects that are not carefully designed and managed (e.g., with yearly plans, logframes, stated outcomes, and a steering group holding the project staff accountable), personalities and tensions within the civil service can 'prevent forward momentum'.

Because Malawians are reluctant to confront others directly, they will change the structure of a programme rather than dismiss ‘unproductive or unhelpful’ staff. Similarly, they will create a ‘very complicated’ procurement process to reduce corruption, but in doing so they will reduce productivity and efficiency. Donors make matters worse by refusing to support secondary and tertiary education (where health staff would be trained), at times by giving equipment without covering maintenance costs, or equipment that is wholly inappropriate, by ‘poaching’ good local staff, and by funding SWAs rather than projects or technical advisors, which are probably more effective in a country like Malawi.

Meanwhile, the private sector is unable to generate growth because the neopatrimonial state does not create the appropriate economic environment. First, businesses are under capitalised because government borrowing (to cover its budget deficit) raises interest rates (currently at over 45%) and crowds out private domestic borrowing. Further, in its effort to retain power, the ruling elite has undermined the rule of law and weakened regulatory, bureaucratic and legal arrangements, which have given rise to Malawi’s doubtful risk rating (Table 4).

Table 4: Risk guide⁴⁰

	Risk of repudiation of contracts by government	Risk of expropriation	Corruption in government	Bureaucratic quality	Rule of Law
1982	5	6	5	3	1
1990	5.5	7	4	2	2
1995	6	8	3	2	4

Foreign investment, local businesses and commerce, so desperately needed in Malawi, cannot create employment, widen the tax base, generate revenue or ‘develop’ the country in this environment.

5.2 The ‘political contract’: security and protection

Some in Malawi, such as the DFID-supported police reform and MASSAJ (Malawi’s Safety Security and Access to Justice) programmes, are aware of the weakness of security and justice. These programmes attempt to develop stronger locally accountable institutions, although this is greeted with resistance in some government quarters. Attempts to improve the work of the ACB, while supported by DFID, are also frustrated by the government and its refusal to amend the law setting the ACB’s powers.

Only recently have civil society organisations begun to monitor the political contract. Until recently, few organisations have had the capacity to do so. Now, the Malawi Economic Justice Network and a handful of other groups have begun to ask questions about structural adjustment agreements, donor lending and how loans are spent, government budgets and their implementation, pro-poor spending, etc. Donors have been slow to help civil society develop this capacity. Also undermining civil society’s influence has been government resistance, as government often criticises civil society as being ‘opposition’ or ‘anti-UDF politicians’.

Churches, with their ‘pastoral letters’ and ecumenical organisations and activities, have been special targets of government derision.

5.3 Societal integration, social cohesion and civil society

Between 1992 and 2002 the country’s three main political parties increasingly used religion, ethnicity and regionalism to mobilise votes and direct resources, and as a consequence divisions based on religion, region and party became more pronounced and violent. Party youth, especially the UDF’s Young Democrats, have been most consistently destructive. The increase in insecurity, crime, conflict over land and vigilantism has been widely felt.

Organised civil society is weak; whilst churches and a handful of NGOs have tried to monitor and criticise the government, and work at conflict resolution, legislation has been passed designed to keep NGOs deemed ‘political’ from registering. Whilst humanitarian relief efforts in Malawi attempt to be apolitical, food-related aid (for example the starter pack programme) is used by government for political ends (especially during campaign periods). Thus, it is likely that regions and populations that support the ruling party will have preferential access to food aid.

The country’s few independent media outlets have been sued, attacked and deprived of government advertising revenue (an important source of income), and their reporters and vendors have been harassed and beaten. The public media are used exclusively to promote UDF interests.

5.4 Structural and starting conditions

Malawi’s underdevelopment results from a number of factors, including its landlocked position, poor natural resource base, reliance on rain-fed agriculture and low levels of social capital and technical and social ingenuity. Most importantly, Malawi’s neopatrimonial system and structures prevent assistance being used equitably, efficiently, on pro-poor expenditures, or for the betterment of the nation as a whole. Neopatrimonialism also undermines private sector growth by creating an environment where the rule of law is weak, where investment flies in the face of risks and low returns, and where the administration finds it impossible to operate within its budget, to prosecute corrupt officials or to undertake necessary structural reforms.

Malawi also suffers from many of the same adverse trends as the rest of sub-Saharan Africa: global warming, a high incidence of HIV/AIDS, and the uneven effects of globalisation. Malawi is the most densely populated country in sub-Saharan Africa dependent of a single rainy season. Drought is becoming more common – a third of rainy seasons have been below average since 1922, with perhaps three-quarters of drought episodes linked to *El Niño*. Global climate change is also probably having an impact. Specifically, southern Africa is warming – almost 1° C between 1900 and the 1980s – and drying out – with rainfall in the 1990s about 20% lower than in the 1970s. The four years after 1991 were the driest this century.⁴¹ As 60% of the population are poor and living near on the brink of disaster most years, drought and floods have the effect of causing national and household food insecurity and at times, famine. HIV/AIDS (ca. 16% nationally and at least 30% in towns amongst the sexually active population) has made poverty worse, by reducing productivity and profits in all sectors, increasing the household dependency ratio and the number of elderly- and child-headed households, using scarce resources for medical care and funerals, killing public service providers, changing cropping patterns as over-worked women (or the elderly or children) takeover all food production, etc.⁴² Globalisation is not working to Malawi’s advantage because the nation is less prepared than others to take advantage of its benefits. Malawi also suffers from the same capital flight and debt burden that the rest of Africa faces.⁴³

6. Judicial sovereignty

Malawi has been independent since the 1960s and has set borders, though these are porous. Malawi's juridical history does not feature as an issue in explaining development performance, and thus has not been an influence on the actions or contributions of aid actors.

7. The International Aid Regime in Malawi

For more than twenty years, but certainly since the transition, the donor community has consistently requested the same things of Malawi: well-designed budgets and fiscal discipline; reduced budget deficits, domestic borrowing, interest rates and inflation; timely, transparent and accurate reporting; economic growth of at least 6% per annum; a stable kwacha; improved revenue collection; privatisation of inefficient parastatals; structural reforms; better pro-poor expenditure targeting; liberalisation; prosecution of corrupt officials, etc. These are expected to create an environment conducive to private sector investment and growth.

7.1 Bilateral and multilateral assistance, 1980-94

Malawi has been a recipient of donor assistance since independence, but its aid grew significantly after the national economic crisis starting in the late-70s.⁴⁴ With living standards falling and growth rates turning negative (1980-81), Dr. Banda looked for help from the Bretton Woods institutions, which 'prescribed a series of measures that included the deregulation of prices and marketing, rationalization of statutory bodies and the public sector, devaluation, wage restraint (already a government policy), elimination of food and other subsidies, and export diversification'.⁴⁵ When these proved ineffectual, in 1988 Malawi became the world's first recipient of a IMF enhanced structural adjustment facility loan. Nonetheless, the per capita GNP fell (-1.2% annually, double the SSA average). By 1992, foreign aid stood at almost 1/3 Malawi's GNP, which according to Brown, was nearly triple the SSA average and over 16 times the ratio for all developing countries. Meanwhile Press companies underwent restructuring, and as noted above, this resulted in their growth and profits. Foreign aid continued to increase, reaching \$573m in 1992, before donors began withdrawing assistance to encourage political reform.

There was a time lag between the increased notoriety given to Banda's rights abuses in the 1980s and the decline in aid from bilateral donors. Indeed, donors waited till the end of the Cold War to pressure for change. For instance, in 1990 American cancelled \$40m in debt and increased its military aid (to \$2.2m/year in 1990-91) while the UK provided balance of payments support and police/army training in 1989.

Reductions in aid began in 1991, when the Nordics and then the Germans reduced their project assistance. In July 1991 the British began to cut back its aid; the EU followed suit. (This happened before the indigenous reform process became public in Malawi – before the Pastoral letter was read but about the same time as the UDF began organising. Some support for AFORD and UDF came from the donors as well.) In May 1992 Malawi requested almost \$800m balance of payments support at the CG meeting, but bilateral donors refused and suspended all new aid until reforms were undertaken. (Humanitarian aid, which was feeding Mozambicans and local drought victims, was sustained). American aid fell by a third (to \$22m) and it withheld \$15m in balance of payment support. The British, Canadians, French, and Dutch followed suit. After the refugees began to return to Mozambique, humanitarian assistance declined (1992-93) though food aid continued throughout this early transition period due to drought. Withdrawal of assistance

combined with the drought resulted in reduced exports, a shortage of imported goods, a sharp fall in GDP growth (-7.3%), and a budget deficit of 21% of GDP. The kwacha was devalued by 20% in mid-1992. After the referendum (1993), bilateral aid levels began to climb again.

Table 5: Net aid to Malawi, 1980-97

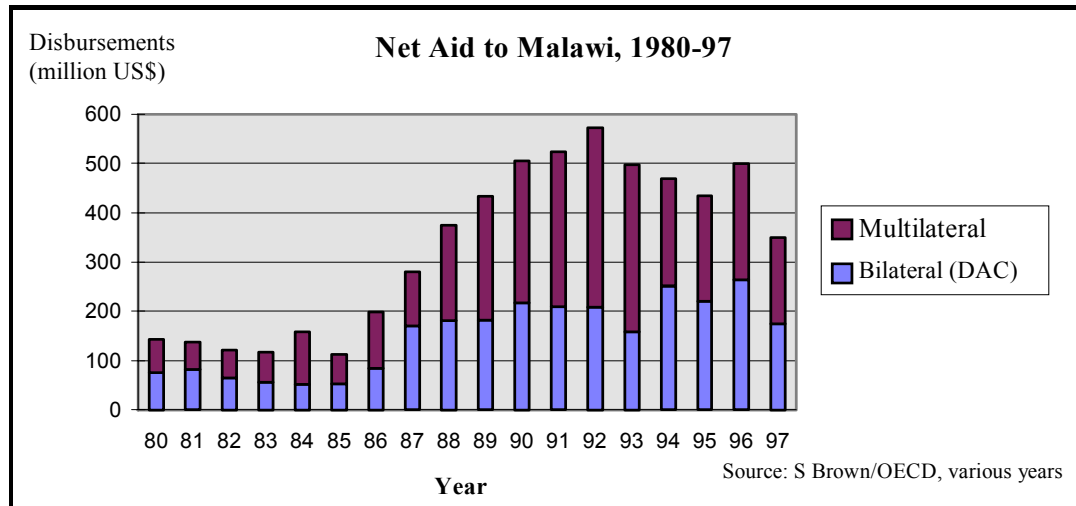
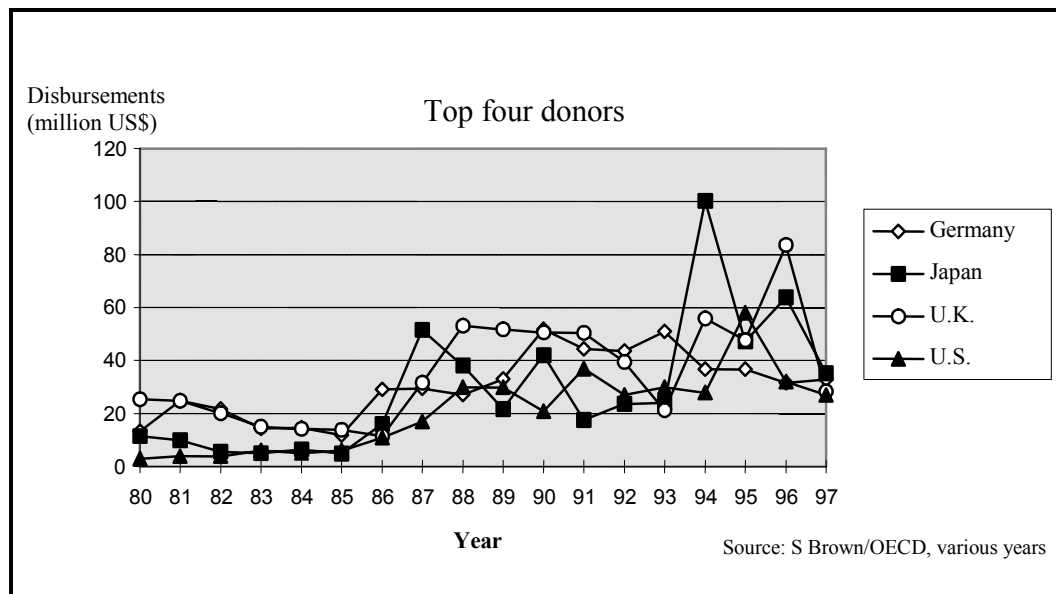
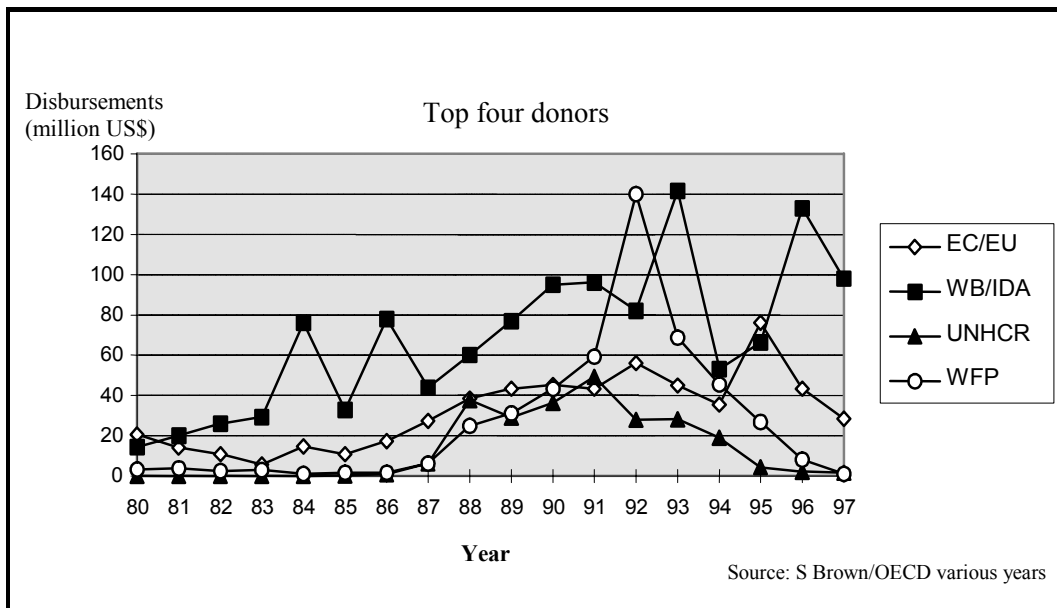


Table 6: Bilateral aid to Malawi, 1980-97



Multilateral aid was less responsive to the political debate in 1991-93. In fact, the World Bank decided to increase aid (balance of payment support and relief assistance) after the CG meeting ‘to make up for the suspended bilateral aid’.

Table 7: Multilateral aid to Malawi, 1980-97



World Bank aid was released ‘to prevent economic collapse’ because it wanted to avoid ‘disrupt[ing] growth or caus[ing] an economic crisis’.⁴⁶ One might consider this policy poorly conceived if governance is considered central to the efficient utilization of aid or if the World Bank’s actions slowed the transitional process by weakening the government’s impetus for political reform. Finally, the policy might be considered unethical if one holds that aid should not be given to regimes that systematically abuse human rights.

7.2 Bilateral and multilateral assistance, 1994-2001

While there are exceptions⁴⁷ bilateral donors since the transition appear to have been less willing than during it, to publicly use their influence and aid to promote democracy. There appear to be several reasons for this, including the personalities and skill of individual diplomats and foreign missions in this small, poorly-resourced and strategically unimportant state. When the diplomats have made themselves heard,⁴⁸ their complaints have generally been related to fiscal responsibility and corruption rather than broader governance or human rights issues. Few seemed to have the will, vision or capacity to effectively address the especially difficult problems found in a poorly performing country. Donors will argue on the other hand, that they are not naïve, but are aware that it is unlikely that conditionalities will force a host government to reform if it hasn’t the will to do so, and that is why they have not pushed the government in recent years.⁴⁹

Net aid flows have remained relatively stable since the transition (Table 8) except for 1997 when assistance dropped. (Also see *Annexes 8 & 10*). British aid grew after the transition, and has remained significant (though it dipped in 1997 as well.) American assistance peaked twice, in 1995 and 2000, and has otherwise remained relatively stable. German aid has declined almost consistently since 1993 while Japanese and EU aid have fluctuated – Japanese aid peaked (at \$100m) in 1994 and fell thereafter. EU assistance has grown (in 1998-99) and fallen again.

Table 8: Net aid flows, 1991-2001 (US\$ million)

<i>Year</i>	<i>Net Aid Flows</i>	<i>Bilateral Aid</i>	<i>Multilateral Aid</i>
1991	550	209	314
1992	578	208	364
1993	497	159	336
1994	471	251	216
1995	435	221	211
1996	492	264	228
1997	344	174	171
1998	435	204	230
1999	447	228	214
2000	446	269	171
2001	402	196	195

Source: OECD: DAC online database. various dates

After the transition Malawi's financial position worsened, mostly because of 'excessive budgetary expenditures' in the period leading up to 1994 election.⁵⁰ Local bank lending to cover government expenditures resulted in inflation and depreciation of the kwacha. The budget deficit almost tripled to 15% of GDP in 1994, while prices rose by 66% by year-end, and GDP fell by more than 12%.

The GOM, IMF and WB designed a new aid strategy, prioritising economic stabilization and restoration of fiscal discipline. The government received a three-year ESAF (enhanced structural adjustment facility) in Oct 1995. Real growth in 1995 was 9%, though inflation rose to 75% (though dropped in the first 9 months of 1996). The fiscal deficit was reduced and the IMF felt that real progress was made on structural reforms, especially in agriculture and privatisation. Thus, the objectives for 1995-98 outlined in late 1995 were optimistic – a real GDP growth of 4.5% in 1996-98, reduction of inflation (from 83% at end 1995) to 5% by end of 1998, and a sustainable balance of payments (BOP) position. This, the IMF stated, would require 'fiscal restraint, strengthening of the key institutions of macroeconomic management, aggressive structural reforms to reduce the scope of the public sector and the ownership concentration in the economy, mobilization of savings and foreign private investment, and channelling more investment into agricultural and social sectors'.⁵¹ In 1995-96, real growth averaged 12% per annum – generated by agricultural reforms and good rains. At the same time free primary education, civil service reform and the passage of a Privatisation Act were initiated. The public, government and donors generally felt that the transition was showing results.

Progress was made in 1996 – e.g., 7% inflation, decline in fiscal deficit to 7.5%, and reserve cover equivalent to 3.5 months of imports by end of 1996. Thus expectations rose: in late 1996 it was proposed that growth should increase to 6% in 1997 and 7% per annum in 1998, that inflation should stand at 12% in 1997 and 6% by end-1998, that the current account deficit (14% in 1995) should be reduced to 6.4% of GDP in 1998, and that international reserves should increase to the equivalent of more than 4 months of imports by end of 1998. This was based on the assumption that the central government deficit would fall (it was 7.5% in 1996-97) and that budgetary allocations to priority areas (health, education, agriculture and infrastructure) would increase. It was anticipated that the deficit would be financed entirely through donors support, allowing government to demonstrate 'monetary restraint' while 'accommodating adequate credit expansion for the private sector'.⁵²

As it turned out real growth slowed to 5% in 1997, the overall fiscal deficit widened to 11.5% of GDP and the kwacha came under pressure and was devalued several times. The programme

continued 'off-track' in 1997-98 mainly due to 'slippages in fiscal policy'. During fiscal year April 1997-March 1998,

total expenditure exceeded the program target by 4-1/4 percentage points of GDP while... there was a shortfall in total revenue of 1/2 to 1 percentage point of GDP. Consequently the budget deficit for 1997/98 reached about 11 1/2 percent of GDP, exceeding the program target by over 4 percentage points. The domestic primary balance also worsened substantially; instead of the position of approximate balance envisaged under the program, it widened to a deficit equivalent to about 4 1/2 % of GDP. This deterioration contributed to the depreciation of the kwacha by almost 40% (in foreign currency terms) between July 1997 and March 1998, despite heavy intervention by the monetary authorities.

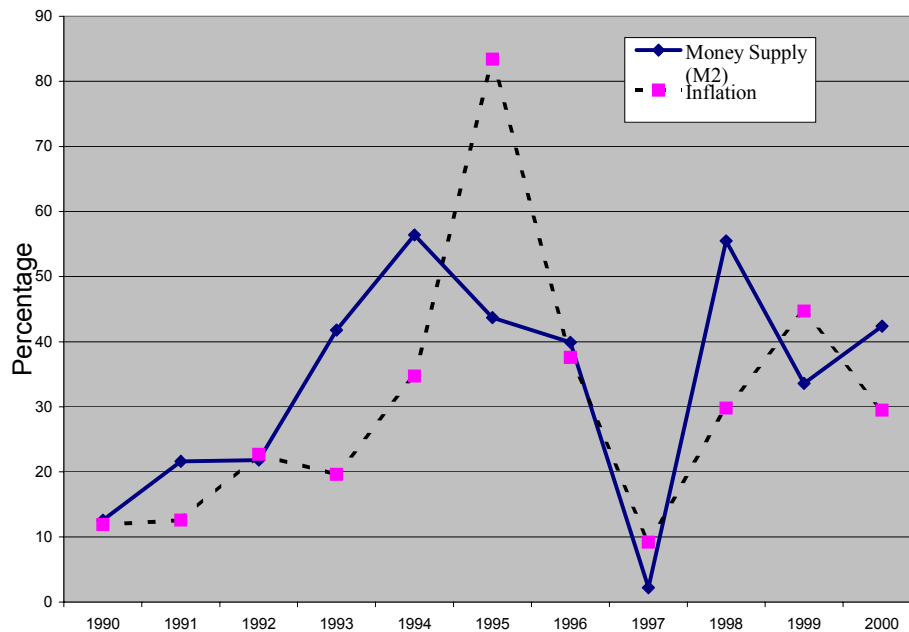
This and a small maize harvest in 1997 meant inflation rose from 6.75% in late 1996 to 20% in March 1998 and 36% later in the year. Real growth stood at 3.5% in 1998. Reform also slowed in 1997, with delays in civil service restructuring, and certain enterprises (utilities and financial institutions) were omitted from the government's privatisation programme.⁵³

In 1998 government began to implement a set of 'corrective measures' to cut spending, to strengthen expenditure monitoring and control, and to oversee government initiatives through the appointment of a Special Cabinet Committee on Budgetary Matters. Revenue collection was also prioritised. Growth was re-targeted – to reach 3.4% in 1998, 5% in 1999 and 6% by 2001 and inflation was to drop from 36% by the end of 1998, to 7% in 1999 and 5% by 2001. Gross international reserves were to increase to 4 months of imports – up from 2 months at the end of 1997. One key area of concern was investment – it was supposed to increase to 19% of GDP, which would raise rates of productivity, improve infrastructure and bolster market competition. Meanwhile structural reforms were put on the agenda again, including further privatisation and civil service reform which had 'slackened'.⁵⁴

'Control over fiscal and monetary developments improved' thereafter, yet the 'accumulation of domestic spending arrears and sharp change in the real exchange rate continued to hinder economic management.' As a result, the fiscal deficit stood at 5% of GDP in 1999-2000 while broad money growth was 34% during 1999. The current account deficit, which had improved in 1998 (to 12% from 14% of GDP in 1997) was reversed in 1999 (an election year), with a rise in the deficit to 17% of GDP. Inflation stood at 35% at the end of 2000 while growth had slowed to 3.2%. The IMF noted in early 2001 that the domestic cause of these problems (as opposed to external shocks) had been 'occasional inconsistencies in the implementation of macroeconomic and structural policies, including the recent relaxation in monetary policy, which has contributed to currency pressures and a resurgence in inflation'.⁵⁵

In December 2000 IMF approved a three-year Poverty Reduction and Growth Facilities arrangement and a decision point under the enhanced HIPC Initiative. Total debt service relief from all of Malawi's creditors was then worth around US\$ 1 billion.

Table 9: Trends in money supply (M2) and inflation 1990-2000



Source: PRSP/Government of Malawi, *Economic Reports*, various years

Two conditions were established if Malawi was to receive the full amount of assistance toward debt-reduction under the enhanced HIPC initiative: ‘the implementation of financial and economic reform and poverty reduction. “The improvement of public expenditure management and governance, through quarterly expenditure reporting on spending in high priority areas and through the separation of fiscal management and audit functions under new legislation”’. Malawi received \$8m of its promised \$55m Poverty Reduction Growth Facility on 21 Dec 2000, the last disbursement for some time.⁵⁶

In early 2001 that the IMF outlined its views concerning the type of reforms needed to improve Malawi’s macroeconomic performance. The goals to be achieved included a balanced budget, increased pro-poor spending, additional structural reform, and ‘fiscal restraint’. Particularly important was the ‘determination to resist pressures on wages and salaries and on other recurrent expenditure’. Planning to improve budgetary management was praised, especially ‘the undertakings to eliminate nonemergency extrabudgetary outlays; increase fiscal transparency; and invoke disciplinary measures under the new spending control mechanisms’. Further goals were outlined: the monitoring and control of parastatal expenditures, improving statistical information, avoiding the subsidization of maize and petrol (which caused over-expenditure in the past), improving pro-poor expenditure targeting, and accelerating the pace of privatisation. Improvements in governance – including the strengthening of government offices (including the Anti-corruption Bureau) were listed as welcomed initiatives, and the IMF went on to ‘strongly urge’ the government to ‘follow through vigorously on all investigations and prosecutions’ for corruption.⁵⁷

It is useful to stop here to note that the IMF website records that throughout this period, the economic targets that Malawi and the donors set – in terms of spending, deficits, inflation, interest rates, etc – were eased whenever the government failed to meet them. While this is a pragmatic approach, it seems poorly conceived in retrospect since leniency seems only to have

led to further non-compliance. Also, the donors' narrow focus on economic targets and their apparent willingness to allow the government to continue to renege on its agreements for some years demonstrate their inability to accept the centrality of poor governance in explaining poor development performance. They continued instead to tinker with institutions and policies, rather than address government lack of will to reform. The logic of neopatrimonialism (as outlined above) explains what was happening in these years. Furthermore, it is no coincidence that at the same time government failed to reach its fiscal targets due to extra-budgetary outlays, lack of 'fiscal constraint' and transparency, etc, human rights abuses escalated and anti-democratic behaviour culminated in the 1999 campaign and election. Similar behaviour was evident during the government-created food crisis in 2001-03 and the President's 'third-term' bid in 2002. The lesson to be learned from this period, then, is that international financial institutions and donors should not hesitate to consider the link between poor governance and economic performance, especially in light of logic of neopatrimonialism, when determining lending policies

7.3 Budgetary support, bilateral and multilateral assistance, 2001-02

At the beginning of 2001 the IMF decided to withhold its budgetary support, and many of the bilateral donors (who form the Common Approach to Budget Support, or CABS group⁵⁸) followed suit. Withholding of budget support continued until late 2003. This is vitally important to the functioning of government as donors provide 40% of the recurrent budget and 80% of the development budget and much more besides.⁵⁹ HIPC disbursements were also threatened by government's inability to explain where HIPC funds had been spent.⁶⁰

In outlining its reasons for withholding budgetary support, the IMF noted⁶¹ that 'economic activity has been stagnating'. Real output was thought to have dropped in 2001 (due to a drop in maize production) while 'high real interest rates have been encumbering private sector activity – growth in the manufacturing and services sectors remained negligible and industrial activity shrank to its lowest level in more than a decade'. Inflation dropped from 35% in December 2000 to 17% in June 2002 and though interest rates had fallen since the end of 2000, real interest rates remained over 30% 'reflecting an expansionary fiscal policy, but also persistent inflation expectations in light of a history of stop-and-go disinflation episodes'. Overall performance under the Poverty Reduction and Growth Facility had been 'disappointing' because growth 'remains elusive' and real interest rates remain high because of 'overly expansionary fiscal policies'. Of particular concern,

fiscal policy has been expansionary until the beginning of 2002, crowding out the private sector. Slippages from the program came mostly from policy decisions to bail out parastatals, augment civil servants' wages, increase other low-priority public spending, such as travel and representation, and reduce income taxes. These slippages were exacerbated by a rising interest bill and weak revenue collections due to a decline in firms' profitability and sluggish collection of import-related taxes.

Fiscal restraint, reductions in public debt and the creation of an environment conducive to private sector investment and growth were encouraged. The authorities were urged to 'guard against any surge in expenditure arising in the run-up to the elections in 2004'. The IMF asked that pro-poor expenditures be prioritised – to increase these to 6% of GDP in 2002-03, up from 3.5% in 2000-01. (See Table 10 below for budgeted social service expenditures). It also asked that the privatisation programme be prioritised as its delayed implementation was costly to government. Parastatal operations (e.g., ADMARC) should be more transparent – especially important as misadministration at ADMARC created massive food shortages. Food security needed to be tackled within the larger economic context – to identify and implement policies that would help

safeguard against unforeseen shocks in the future. The need to implement the legal framework meant to address corruption was emphasized: the IMF noted that ‘Malawi’s anti-corruption campaign would gain credibility from bringing to closure high-profile cases’. Finally, the ‘deterioration of macroeconomic statistics in the last few years’ was noted and the IMF asked the authorities to address these deficiencies.

Earlier that year the World Bank’s *Malawi Public Expenditures: Issues and Option*⁶² also laid out the donors’ frustrations and made suggestions for structural economic reform: budget deficits had to be reduced by over 2%, non-essential spending had to be cut and corruption addressed. Funds allocated to health and education needed to be increased, including government assistance to the Aids Control Programme. Road maintenance should be prioritised and a ‘greater budgetary allocation [given] to the Anti-Corruption Bureau, Office of the Ombudsman, Law Commission, Auditor-General’s office and the Judiciary’. Budgets should include a reserve of 0.2% of GDP for natural emergencies, which ‘Malawi experiences ...on almost a yearly basis’, with a ‘strict criteria for the use of these funds’. Administrative and budgetary reforms were needed: ‘the key factors underlying the current shortcomings of the budgetary process are the lack of high level political commitment behind these reforms, the lack of a sequencing strategy and the lack of focus on improving frontline performance through wage and line-agency reform’. Also important was the need to ‘bolster the bodies that safeguard the professionalism of civil servants enabling them to implement expenditure control even in the face of political pressures’. Better auditing practices and strengthening the Anti-corruption Bureau were highlighted.

Table 10: Functional analysis of total government expenditures: estimates 1995/96-1999/2000

Percent	1995/6	1996/7	1997/8	1998/9	1999/2000
General Administration	21.8	37.0	35.1	22.9	30.7
General Public Services	15.6	29.3	27.5	16.9	24.3
Defence	3.2	4.0	3.5	2.5	2.8
Public Order and Safety	3.1	3.8	4.1	3.5	3.7
Social and Community Services	40.6	24.3	38.9	40.5	41.7
Education	17.4	11.1	17.5	14.9	15.6
Health	11.1	6.0	9.6	12.2	11.6
Social Security	7.6	4.9	6.7	5.4	7.2
Economic Services	15.6	9.3	9.5	20.0	20.2
Agriculture	9.2	6.2	4.7	12.4	11.0
Unallocable	22.0	29.4	16.5	16.6	7.4
Total	100.0	100.0	100.0	100.0	100.0

Source: PRSP/Government of Malawi (various years): *Economic Reports*

Pro-poor public expenditure in education, health, agriculture and roads should improve both efficiency and equity in these sectors, it was argued. As it is the ‘effectiveness of health expenditures is poor and service delivery surveys indicate that shortages of medical personnel and drugs in rural areas are the two biggest problems in the sector. In agriculture resources are excessively concentrated at the Ministry headquarters and front line operations face a shortage of critical ORT resources’. Generally, throughout government, funds should be spent in the regions and districts rather than headquarters. Public pension reform, restructuring of the civil service, and privatisation to end the extraordinary waste found in parastatals were also advocated.⁶³

Thus, in 2001-02 the administration was well-aware of the structural and fiscal reforms and improvements needed to placate the IMF, WB and bilateral donors and to satisfy civil society and

opposition politicians' criticisms.⁶⁴ By mid-2002 the situation had not improved: GDP growth remained poor, fiscal and monetary policies did not bring down interest rates (though inflation dropped) because 'the macroeconomic strategy was derailed ... by the lack of spending discipline by government and premature changes in revenue policy'. High interest rates crowded out credit to the private sector, while large budgetary resources were diverted 'to bailing out parastatals.... Also excessive spending on low priority activities such as internal and external travel and weak spending discipline contributed to the fiscal slippages'.⁶⁵ Taxation did not make up for reductions in non-tax revenues as expected. Again, Malawi was told to tighten its belt – 'fiscal discipline' was needed as well as a reduction in non-priority spending. In addition a

lack of good governance has resulted in a misallocation of resources, increased the cost of doing business, created a general distrust in public sector activities, and weakened civil service morale. There is a need to recognize that corruption and weak governance in tandem with bad policies make financial aid ineffective, even counter-productive. Thus, we support the authorities' efforts to strengthen the legal framework and the institutions that combat corruption, mismanagement and fraud, and encourage them to swiftly bring to closure high profile corruption cases.⁶⁶

In August 2003 the IMF team again visited Malawi. While the team's deliberations, report and recommendations remained secret – a state of affairs which should itself be reformed – it was widely rumoured that the team would 'go to the Board [to recommend restarting budgetary support] ... in an attempt to avoid economic meltdown rather than because [the government of Malawi is] on track with [its] programme' The CABS group reportedly advocated continuing to withhold budgetary support, though no public statement to that effect was made.⁶⁷

In October rumour became fact when the IMF executive board approved a US \$9.2 million loan disbursement, plus an additional \$6.6 million in 'interim assistance' to Malawi. The board also agreed to the authorities' request to extend the arrangement through to 20 December 2004, and to resume interim assistance under the HIPC Initiative by approving the release of an amount equivalent to about US \$6.6 million to help Malawi meet its debt service payments on its existing debt to the IMF. The IMF decision opened the door for the members of CABS to renew their budget support as well.

The donors made it clear, though, that 'if the government does not meet [its] commitments, budget support is likely to be suspended again'. These conditions included Malawi

- strictly controlling public spending;
- starting to repay the government's domestic debt;
- carrying out structural reforms in parastatals, the agricultural sector and the civil service;
- reducing government expenditure overall to protect priority poverty reduction expenditure;
- implementing new financial management systems, so that aid and the government's own revenues are used for purposes agreed by parliament';
- passing amendments to tighten up the Corrupt Practices Act, and
- allowing the Anti-corruption Bureau to review an audit of the National Food Reserve Agency.⁶⁸

Some close observers are sceptical about the reasons given for restarting budgetary support, as well as the willingness or ability of government to meet the stated conditions. First, an independent audit of the sale of NFRA grain by ADMARC was undertaken some months ago and its report has been available for months. What the ACB can do about its findings depends solely

on the Bureau's ability to prosecute key government officials. And that depends on the Corrupt Practices Act, which the ACB has wanted amended for some time. The key reform – to release the ACB from the control of the Director of Public Prosecutions, who has repeatedly refused to prosecute ACB cases against ruling party politicians – will be an important milestone. Now, at the end of 2003, it seems unlikely government will comply: when the amendment reached cabinet it was quashed, and it was not sent forward to parliament. In December the opposition MPs complained about government's failure to present the amendment and it was referred back to the parliamentary law committee for discussion.⁶⁹ The reaction of the donors to this refusal to live up to its promise has been mixed: the new US ambassador threatened to reduce American aid due to corruption,⁷⁰ while the willingness of all agencies to bar funding due to the government's refusal to amend the law is more in doubt.⁷¹

Furthermore, one experienced economist noted that IMF assistance was restarted in October 2003 first, to 'avert a complete economic meltdown by enabling renewed support from grant donors (i.e., CABS)'. Secondly, funds were provided 'to enable repayment of IMF loans due' and thirdly, 'to avoid embarrassment to the IMF of the country having developed an unsustainable domestic debt position whilst being declared on track with an IMF programme'. As for the likelihood of the government being able to live within its means, 'expect initial disbursements then [a] suspension by early next year... unless political overrides kick in again'.⁷²

And that raises the final issue: the upcoming May 2004 election. The funds approved by the IMF in October and ultimately by CABS make it much easier for the UDF to claim during the election that it has the support of the international community. The funds will also help halt the decline in the value of the kwacha and the rise in the cost of living, making it easier for the UDF to convince the public it is successfully managing the economy. Donor funds can shore up the treasury bills market, fund social programmes such as MASAF, pay civil servants' wages, repay government debts, and if the 1999 elections are anything to go by, support the UDF campaign. It is inconceivable that the international community was unaware of the political implications of its restarting budgetary support or that it will not be swayed by political factors if it must reconsider its decision in 2004.

The IMF reports cited above for 2001-03 are about as open as the IFI get in public regarding governance issues, and even then their concerns are largely limited to government's lack of funding of constitutional bodies and its poor record of prosecuting corruption. One would prefer that they critically and publicly evaluate the wider range of domestic governance issues that affect development, and that they hold governments accountable for them, for the actions of IFI and bilateral donors have enormous long-term and wide-ranging political consequences.

7.4 Non-governmental aid

International NGO assistance to Malawi started in earnest in the mid-1980s, when the Mozambican refugee crisis forced Dr. Banda to invite the UN and later, NGOs into the country to help. Before that the local Red Cross and Council of Churches managed emergencies while the MCP organized community groups for voluntary development work. Now there are hundreds of community-based organizations, international agencies and local NGOs. They usually specialize in one sector or area and in either relief/humanitarian/emergency assistance or development. (A few NGOs cross this latter divide, moving in and out of emergency work from their base in development, e.g., Save the Children, Action Aid, etc). Sectors that are particularly active in Malawi include: HIV/AIDS, child rights, population, women's empowerment, governance and human rights, food aid and relief, water development, community development, etc. Health

services are provided by church groups as well. The total amount of aid delivered through NGOs is not available.⁷³

Since 1992 the Council for NGOs in Malawi (CONGOMA) has been active in bringing together member agencies to coordinate sector-wide projects, share information, and encourage collaboration. It has approximately 175 member agencies. A new NGO law⁷⁴ was passed by government in 2001, which is to be administered by CONGOMA. It is opposed by many members of the NGO community because they feel it is aimed at controlling their work and especially at NGOs that have been vocal in their opposition to government policies in various sectors. For instance a particular subset of NGOs is concerned with human rights and governance, and has been outspoken against various political events and trends, e.g., changes in the Constitution, attacks on free expression and on NGO leaders, corruption, the third term debate, etc. These include CILIC, CHRR, MHRRC, CARER, PAC, NICE, MISA, and CJ&P.

Few of the agencies in any sector, including HR and governance NGOs, are strong financially, or in terms of skills or output (in comparison to NGOs in, say, Zimbabwe or Zambia). Some have been labelled 'political' and their leaders hounded by government. A few agencies have been investigated by funders and staff prosecuted. From 1994, in an effort to support the transition, donors provided money to local NGOs that did not have the capacity to manage it or to undertake the programmes they promised. After some notable failures, more sensible capacity-building support followed, paid for by donors (i.e., training in-country and abroad, support to training organizations working with NGOs, etc). Rather than encouraging participation of civil society in debates about policy, Mr. Muluzi and his government have frequently criticized NGOs, especially HR and governance NGOs, and have labelled them and church organizations 'political' and anti-government. Donors have had an ambivalent relationship with NGOs – many support their non-political work, but many are unwilling to help them promote political change. Donors have not supported the private media, except by training journalists and helping to establish a journalism institute. They have not actively encouraged their participation in macroeconomic negotiations (e.g., the CG meeting held in Malawi in 2000, when NGO staff were tear-gassed by police for trying to participate).

8. Recommendations

Two different sets of recommendations are required here:

- one that deals with the interaction between the aid regime and the neopatrimonial state in order to enhance Malawi's performance, and
- a second that addresses the value and method of measuring, or quantifying, performance and governance to assist donors to determine which countries can most efficiently use their aid.

8.1 Interactions between the aid regime and the neopatrimonial state

Malawi is underdeveloped and continuing on its downward economic and political spiral as a result of the structure and substance of its governing structure. This is not to deny that other factors are also fundamental: it is landlocked, it lacks natural resources, and it has high population densities on the land, degradation of the environment, high rates of inequality, HIV/AIDS, etc. Some ill-designed policies, poor advice and insufficient follow-through by donors might be added to this list.

But given the amount of money and technical assistance that has gone into Malawi in the last two decades, if the Banda and Muluzi governments and civil service had devised and honestly implemented the right policies and utilized the advice given, the country would have prospered. As it is, lack of capacity, weak institutions, leaders' self-interest, a weak civil society, and repeated donor bail-outs have permitted even the best policies and programmes to be ignored, subverted or delayed to the point of their being ineffective.

Nicolas van de Walle's observations about post-transition Africa are relevant in this context:

... the reform process... has often been manipulated to generate new opportunities for rent-seeking in a manner that undermines rather than enhances economic efficiency.... The elites have taken advantage of the uncertainty of reform to promote their interests, and the decline of state capacity and of the power of the technocratic element has facilitated the growth of corruption.... The ability of rational-legal elements within the state to control events and force accountability on the political class atrophies The sum result after two decades of this downward cycle is that the prospects for reform are far worse than they were at the onset of the crisis... Rent-seeking motivations did not disappear with democratization, which sometimes resulted in little more than the eviction of one set of crony businessmen in favor of another.... Whatever new formal mechanisms of accountability and transparency have been adopted by the new [democratic] regime are likely to be overshadowed by a state apparatus that democratization has not purged of its long-standing authoritarian tendencies. ... The onset of multiparty electoral politics left unchanged many of the defining characteristics of African politics, notably presidential dominance and low [public] participation.... [While] aid is also responsible for a large proportion of the development work that does take place and does improve the welfare of target populations, [its] role [in institutional devastation] can be linked [to] sustaining weak governments in power while at the same time emasculating their developmental institutions.... Despite donor rhetoric about the importance of democracy, it appears that the quality of the multiparty electoral politics that has emerged in the 1990s has not much mattered to the donors as long as government play the 'presentability' game.... [Nor have donors] responded to democratization with any changes in aid delivery modalities.... After a brief honeymoon, and despite perhaps a short spurt of larger aid volumes, the donors go back to their curious brand of toothless conditionality and micromanagement, while governments go back to a combination of passive resistance and accommodation to donor pressures in a context of endemic fiscal crisis.⁷⁵

Given this situation what can be done by the international aid community to foster better development performance?

Some donors resident in Malawi seem to agree with the argument provided by Morrissey about the most effective way of providing aid.⁷⁶ Morrissey notes that in order for states to perform well they must have both the 'political commitment' and the administrative capacity to design and implement policies. States like Malawi – which, it could be argued, have neither – can only be assisted through donor dialogue 'to shift preferences towards poverty reduction', by supporting political capacity-building, and through funding pro-poor donor projects (expenditures) that conform to the priorities outlined in the PRSP. Donor spending on programmes that assist the poor directly – such as subsidizing agricultural inputs (TIP) or infrastructural development (MASAF) – can improve livelihoods if government leaves donors to run the programmes with minimal interference. This seems to be about as much as the funding agencies seem to require from the government at the moment.

Beyond that, though, informants agree, donors should establish criteria of success, benchmarks, before providing any aid, and a ‘contract’ or memorandum of understanding between donors and government, which outlines exactly what must be done to receive the next tranche of aid. Monitoring and evaluation of performance on a regular basis, especially of these established goals (with set outcomes and indicators), should be undertaken by teams of auditors working with political-economists who have an in-depth knowledge of the country. This is contractual aid, not conditional aid and future funding should be dependent on government meeting these contractual obligations. Repeated ‘slippages’ should not be an option as in the past.

Contractual aid of this type is easier to monitor if funding is provided in smaller tranches for specific projects, rather than in larger tranches for programmes such as SWAps or as budget support. SWAps and budget support, as well as debt relief, depend on government (as opposed to independent) accounting systems and staff.⁷⁷ The efficacy of such systems depends on government’s political commitment and administrative capacity, and as noted above, in the Malawian case these are largely lacking. Not surprisingly, discussions are already underway amongst agencies in Malawi about the wisdom of designing and implementing SWAps, and providing budget support and debt relief. It appears these aid modalities may be premature and that a return to project aid with a welfarist focus might be more suitable for Malawi at the moment.

In the longer term, the key to changing Malawi’s neopatrimonial system is a profound socio-political revolution based on economic change – the expansion of private property rights, increases in productivity, meritocracy, and the formation of a middle class and stronger civil society, for instance.⁷⁸ But we cannot wait until this happens to hold the governing class accountable and to hold the nation’s leadership up to scrutiny.

Malawi’s socio-economic and political systems must be made more accountable – frequently and firmly. Bureaucratic, rule-bound, functioning institutions and systems – whether the courts, the health service or police – must make and implement policies transparently and suffer the consequences of failure. These must take the place of patronage systems and neopatrimonial networks where decisions are made secretly and for the benefit of its members. This will not happen as long as donors continue to reward bad performance by ‘moving the goal posts’.⁷⁹ And because donor aid and conditionality are not sustainable, civil society must learn to do its job. In other words, even in the short term ‘the whole thing boils down to the citizenry holding the government accountable’.⁸⁰ Donors helping civil society develop the capacity to do that should be their first priority.

1. ***Strengthen the institutions of civil society.*** This process can be deliberately supported by donors by funding development and democracy projects (capacity building, capitalisation, programme development, etc).
- Especially important are the media – promoting the independent print and broadcast media should be on the top of the donor agenda (e.g., as in Zimbabwe, a generation ago, through the establishment of a media trust, which absorbed aid, equipment and training). The donors should be familiar with Malawi’s Communications Act (as well as the Censorship, and the Elections Acts) and the history of the government’s non-compliance with these – e.g., the way that MBC and TVM have managed to circumvent MACRA and the way the UDF has managed to maintain tight control of the public media, especially but not exclusively during elections. A media monitoring project (as in Zimbabwe, Nigeria, Kenya, etc) would provide details of free expression, abuse of the public media, and compliance with reforms.

- Malawi is in need of a legal practice whose attorneys take cases to court in the public interest, cases that have a bearing on the Constitution and human rights and their protection. Such a practice could be established as an NGO, funded by donors.
 - Involvement of civil society in economic discussions should be insisted upon by donors – e.g., NGO representation at the Consultative Group meetings, at debriefings by IMF teams, etc. Civil society should be familiar with the arguments underlying reform – e.g., privatisations, civil service restructuring, pro-poor budgeting, the PRSP, etc – if it is to inform the general public and defend reforms and hold the government accountable for fulfilling its obligations.
 - Donors should take the lead of UNDP and begin talking about ‘rights-based development’, as it encourages the public to hold service providers accountable and the civil service to uphold its obligation to provide services to the public.
 - Civil society institutions should vet their own people, and learn more about the people leading NGOs and about their agendas. This is necessary in Malawi where some leaders of NGOs purport to represent the public interest, but actually speak for political parties, including the ruling party.
2. ***Donor consistency and coordination.*** While some amount of coordination already exists in Malawi (e.g., the CABS group and various donor-sectoral meetings), there are divisions, inconsistencies, reversals, and contradictions within the donor community about policies and programming that undermine reform (and are manipulated by government officials to their benefit).
- Donors should form multi-agency teams which analyse and report regularly on the political economy of Malawi, so that all donors (each with its limited institutional memory) can plan in an informed-environment, can evaluate new decisions in light of past practices, can negotiate with government and other donors about policy, based on their common understanding of the past and present. This should improve efficiency and reduce government’s transaction costs.⁸¹
 - Donors and government should create a database that collects nationwide governance, rights, and development information to be used by all agencies when planning and implementing projects and in order to avoid overlapping, or gaps in programmes.
 - With their limited institutional memory, donors should also create a database that holds information about recipient (both civilian and governmental) agencies and individuals, and their programmes/projects, to avoid duplicate funding, and other forms of fraud.
 - Reform and programme goals should not be readily relaxed. Contractual agreement between government and donors about targets should be negotiated and maintained, and allowed ‘to slip’ only under very special conditions, for to do otherwise, undermines the whole reform programme.⁸²
 - Donors focus on the ‘front-end’ of programmes, but should do better ‘follow-up’. What is needed is ‘multi-donor quality assurance teams’ to check up on all programmes. They should not look just at how funding is used, but at the substance of projects and programmes, at their outputs. Donors need to learn to ‘recognise the reality’ of performance that has gone awry, to ‘provide know-how’, to ensure government accountability, and to ‘put the brakes on’ when problems emerge.⁸³
 - Poor performing countries need skilled and highly qualified donor staff and diplomats. Nor are such states served when agencies seek to reduce administration costs by reducing staff or designing programmes (and choosing aid modalities) specifically to make them less expensive.

- Funding should be delivered in a timely fashion for donors undermine projects when the funds they promise do not materialise, or arrive late. Delays may even result in a reduction in total funding for projects.⁸⁴
 - The timing of donor reversals in aid policy – when to impose conditions and when to lift them – should not be predicated on ‘fear of meltdown’. Unwarranted and radical changes in aid policies at election time might be perceived as support for one or another party, and could generate public cynicism and even promote conflict.
 - Donors should consider the impact of their own need to disperse funds when determining the reasons for non-compliance by host governments.
3. ***PRSP process renegotiated.*** Evidence from Malawi suggests that the PRSP is not much more than a ‘hoop through which the government had to jump’ to get aid. While it is supposed to be a Malawi-owned document, it was written in large part by a foreigner and his team, and the issues addressed in the document are not widely understood.⁸⁵ Indeed, the Minister of Finance has recently repudiated its central theme: that pro-poor expenditures should be central to government planning. The plan, he said, is ‘too “socialist” to make any dent on the economy’, or to promote growth.⁸⁶ Moreover, a recent review of the implementation of the PRSP indicates it is off-target and that pro-poor expenditure by government is falling.⁸⁷
- Government and donors need to review the PRSP process, and more importantly, the development strategies and goals outlined in it, to ensure that there is common understanding and agreement – by donors, government and civil society – about its priorities.⁸⁸
 - The IMF evaluation process and its data must become more transparent to other donors, to government and the public in order to generate stakeholders’ understanding of reforms and to promote a coordinated responses to government’s failure.
 - To ensure that the public understands the thrust of the pro-poor framework and can hold the government accountable in the future, key civil society institutions should be closely involved in the aid process and the press, fully informed.
 - The role that SAP and other economic reforms play in attaining the PRSP goals must also be elucidated for the public in order to ensure that civil society holds government accountable for meeting these targets.
4. ***Public sector restructuring and reform.*** As noted above, civil service reform has stalled. The public service is bloated, underpaid, demoralised, wasteful, inefficient and corrupt, yet it is expected to spearhead government reform, create a climate that generates economic growth and deliver services to the public. Politically independent and professional technocrats are needed to write and implement policy.
- Public sector human resource restructuring should again be prioritised and funded by donors, using independent human resource consultants with expertise of functional reviews, change management, and Malawi’s political history. Funding should be made conditional on change in this sector; benchmarks should be identified, which serve as targets to be met according to a contract.
 - Efforts should be made to strengthen government departments, ‘to get into the heart of government’ to raise levels of professionalism and ethics to combat corruption. Prevention of corruption in individual ministries and departments might be enhanced by setting up systems, ‘checks and balances’, and by cultivating individuals and ‘centres of excellence’ that demonstrate enthusiasm, creativity, a ‘national’ consciousness and can act as whistle-blowers in the public good.⁸⁹
5. ***Evaluate the impact of governance on economic performance.*** Whether because of their institutions’ mandates or their training as economists, the staffs of IFI and some donor

agencies are reluctant to address governance or political issues directly or openly. They often limit ‘governance’ to indicators that measure corruption or perhaps the enforcement of laws that promote a healthy business environment.

- But governance should be redefined to include human rights and political issues that directly or indirectly affect Malawi’s economic development, e.g., freedom of information, civil rights, separation of powers, judicial independence, media freedom and censorship, security and conflict, free and fair elections, constitutionalism, and other issues of relevance to Malawi and its history. The impact of each of these on economic development should be tracked too.
 - Donors should also explicitly follow the rise and fall of neopatrimonial structures and systems, and monitor the vagaries of patronage networks and personalities to enable them to evaluate whether structural changes that may promote reform, are moving forward or being stifled by the elite.
 - Governance and rights specialists – foreign and local – should be employed to do such analysis rather than leave it to economists.
6. ***Reconsideration of the modalities of aid delivery, of SWAps and budget support.*** Because project support is considered to have high transaction costs and to fragment ministry programmes, many donors are turning to SWAps. Budget support is also meant to reduce costs and enhance government autonomy and control. In the Malawi context, ‘with its non-performance history’, donors should reconsider the efficacy of these methods of providing aid.
- The transaction costs of SWAps are often high and ‘the time spent on projects are now absorbed by the [complex] superstructure of SWAps and [by managing] the change process’. In other words, SWAps may not reduce transaction costs in the near term.
 - Agencies ought to move toward ‘donor-government relations being more contractual’. If benchmarks with indicators can be established, and if they can be evaluated and monitored effectively, then SWAps and budget support may be possible. But if SWAps and budget support mean giving money to government without controls, or ways to measure its effective use, then they should be reconsidered.⁹⁰ SWAps may just be ‘too big and nebulous’ to monitor effectively,⁹¹ which is essential in Malawi.
 - In the Malawian context technical assistance may be the most effective way of providing aid, because foreigners, who stand outside the socio-cultural system, are less likely to avoid confrontation and more able to make decisions and take the independent (apolitical) actions needed to manage programmes effectively. Also it may be impossible to run effective projects with a ‘thin layer’, the ‘dwindling pool’ of locally trained people in some ministries. This may be the only way forward until civil service reform raises morale, levels of skill and professionalism⁹² and Malawi successfully tackles AIDS.
 - Another option for delivering aid may be through NGOs, joint committees or project management units, established to channel funds (outside central government control) and oversee projects at the grassroots level.
7. ***Focusing on pro-poor expenditures (health, education, agriculture and infrastructure).***
- Though some donors might be interested in conditioning aid on the ability (or will) of governments to use it well, they still want to protect pro-poor expenditures. Thus, the argument runs, if foreign aid is cut to states that are unable or unwilling to use assistance, there should be some way for donors to ensure that the poor still receive health, education, agricultural and infrastructural – i.e., development – assistance. (Humanitarian assistance is already sacrosanct). This raises a conundrum, though, because indigenous funding to pro-poor sectors is already declining and being assumed by donors. Moreover, in the Malawians

case the elite/government seem little concerned by this trend. Indeed, they seem to be relieved, for donors' assumption of the development (pro-poor) burden permits them to use scarce government resources to fund parastatals, wages, headquarters, perks, and their own central government operational costs.

- Furthermore, aid provided as pro-poor project expenditures (say, for health care or agriculture) is as fungible as more advanced forms of assistance. That is, even if budget support is withdrawn, donor welfarist aid spent on building schools or distributing seeds can relieve the government of the need to provide either, and state money that might be spent on these items can be diverted to other sorts of expenditures, like presidential travel or political campaigns. This may be countered with different 'additionality formulae', such as a donors insisting that government contribution as a percentage of available budgetary resources should be maintained at an appropriate level.
 - Finally, before 'ring fencing' pro-poor expenditures, to ensure that they are funded by donors who are willing to reduce other aid (such as budget support), a study of the impact this will have (and has had) on generating reform should be undertaken. The larger political implications of continuing to support the poor, and thus the government's structure, priorities, and power, should be considered. It may turn out that cutting off funding is the best course of action for the nation, including the poor. Only when a full analysis is done, and the full consequences weighed, should donors decide what is the best way to help the Malawian poor.
8. ***Identify new governance indicators of reform.*** Malawi faces a host of problems other than the fiscal and structural economic weaknesses repeatedly identified by the IMF and World Bank, which are used to justify the withholding of budgetary support. Fundamental governance problems emerging from Malawi's neopatrimonial systems and structure that generate non-compliance should be explicitly addressed. Funding should be made dependent on indicators of change in these areas.
- These indicators of reform should be part of the aid contract. They might include passage of the amended Corrupt Practices act to permit ACB prosecutions without the DPP's permission; implementation of the Communications act (MACRA) to 'open up' MBC, TVM and other public media; completion of corruption cases against senior officials and politicians; the holding of free and fair elections; human resource reform and restructuring of the civil service; implementation of the Assets Act; funding of constitutional bodies (e.g., the ACB, Ombudsman, Human Rights Commission, etc) to ensure their full performance; publicizing the findings of the National Compensation Tribunal (which has collected information from victims about rights abuse and perpetrators during the Banda regime); safety and security delivered by the police to all persons, including opposition politicians and journalists; amendment of the NGO Act; prosecution of individuals and groups instigating political violence; transparency and accountability in the operations of the National Intelligence Bureau; full televising of parliamentary proceedings, etc.
 - The aim of such conditions is to strengthen civil society, as its role in a democracy is to hold government accountable and force it to become transparent. Donors need to help strengthen civil society until it is able to take on this role independently.

8.2 Quantifying performance and governance

The literature on non-performance is especially important because in answering the question of 'what undermines progress?' it explicitly focuses on poor governance. But the econometrics that underpins much of the work is too arcane for many non-specialists to evaluate – i.e., we are unable to determine how subjective/objective the final numbers are, to compare the validity of the various equations used, to test the mathematics, etc. As a result it is difficult for us to know just

how accurate the final figures are – is Cameroon a better or worse performer than, say, Zambia? Is governance in one of the states better than the other? Is performance improving over time? Should the number be 40 rather than 42?

It also seems unlikely that some of the issues raised in this case study, issues that are fundamental to understanding the causes of Malawi's poor performance, are quantifiable. Assuming that they are (an assumption I am not willing or able to make), it is still not certain that the people doing the calculations have a sufficiently detailed understanding of Malawi (or any other country) to generate accurate numbers. For these reasons, and because a close appreciation of the political economy of a state is needed to design specific methods of addressing the problems undermining performance, it seems that quantifying a nation's performance indicators is insufficient.

Instead, numerical analyses should be augmented by regular and thorough qualitative analyses of the state, its elite, structures, systems, values, etc – as in this case, Malawi's neopatrimonial system and the way it functions and influences economic decisions and actions. A list of issues – a questionnaire – could be designed that guides each country's researchers to probe specific issues, to ensure that the studies are comparable and that the right data are collected. The findings of these studies should be widely shared with donors, government, civil society and other stakeholders.

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Annex 1: The political economy of Malawi

Politics in the old regime

After more than sixty years under British rule, Malawi achieved its independence in mid-1964. Dr. Hastings Kamuzu Banda had been encouraged by young, elite campaigners to return to Malawi and lead the liberation movement in 1958. Amongst other reforms he promised to Africanise the economy, but within weeks of assuming power he signed an agreement with Portugal (the detested colonial power in Mozambique), guaranteed white colonists' jobs in his administration, and removed from the cabinet the radical politicians who opposed his policies. The autocratic nature of Dr. Banda's rule was captured by David Williams in the 1970s:

... the president had established a network of comprehensive and highly personal control that had the full power of the law and yet was completely arbitrary. He had the power to determine unilaterally who might or might not be a member of the party and of Parliament; the power to determine whether or not people might hold title to land and whether or not they might engage in business; he could arraign people before courts of his own choosing in circumstances that gave them little chance of acquittal and even if, in spite of this, they were acquitted, he had the power to disregard the verdict and insist that they either be retried immediately or be held in custody while awaiting another trial, which would be held at his convenience and in circumstances he deemed appropriate. To supplement this vast range of powers, he had a virtual monopoly of the means of communication and the power to inflict severe penalties on anyone who uttered anything displeasing to him.⁹³

During the thirty years that Dr. Banda ruled all Malawians were required to belong to the Malawi Congress Party (MCP) and no one achieved prominence in his/her field without being closely allied to it. But over the years many people, including party leaders, fell out of favour for criticising the regime: some were detained, many went into exile, and others were murdered – favourite methods included 'car accidents' and notoriously, 'feeding to the crocodiles'.⁹⁴ Self-censorship was much safer for anyone harbouring critical views, which reinforced the 'culture of silence' and Malawians' reluctance to take the initiative or criticise and openly confront superiors. Naturally, this undermined the formation of a strong and active civil society. The repressive and autocratic nature of the regime remained a constant throughout Dr. Banda's thirty years of rule, and became the subject of criticism by the international human rights community especially from the 1980s onward.

Development in the old regime

Dr. Banda adopted a development model⁹⁵ that was top-down and unresponsive to the needs of the peasantry, creating an economic system based on what one analyst called 'relations of domination and exploitation'. His strategy was informed by British colonial policies and from at least the late 1970s, the International Monetary Fund (IMF) and World Bank (WB). He favoured export-oriented growth based on estate-led agricultural development and in due course, processing industries and industries producing local consumer goods and agricultural inputs, which would generate wealth that would trickle down to the masses and 'eliminate poverty, ignorance and disease'. Heavy subsidisation of primary education, clinics and other social services to directly improve the lot of the poor was anathema, as were tariff-protected domestic industries and foreign investment in capital-intensive industry, trade unionism and rural-urban migration, as any one of these might induce uncontrollable wage rises. While the rhetoric was of

‘private ownership and market forces ... in reality state regulation and intervention governed the markets’.⁹⁶ The nation was praised by foreigners for its economic policies and growth, even though prosperity bypassed the bulk of the population.

Utilising local institutions and parastatals, his own Press companies,⁹⁷ and the small, newly created land-holding middle class, Banda’s aim from the mid-1960s was to raise foreign exchange earnings by expanding primary exports (tobacco and tea especially), to increase production of inputs for local industrial processing, to indigenise ownership of agriculture and commerce, and to boost food production. He supported estate development because he felt that Malawians’ ‘custom of holding land [communally] is entirely out of date and totally unsuitable for the economic development of the country’. Specifically, making use of inexpensive capital from commercial banks and surplus extracted by the state marketing board, ADMARC, from smallholders, he supported the estate-holding middle class whose farms were expropriated from the customary sector.⁹⁸

Dr. Banda’s government carved out some 400,000 ha. in new estates from communally held land between 1980 and 1993. Consequently the number of estates growing burley tobacco on leasehold land rose from 111 in 1967 to thirty thousand by 1994.⁹⁹ In the 1970s South Asians were run off the land and out of some businesses and forced to live in specified urban areas in an effort to promote African rural enterprise. But due to lack of capital, connections and expertise Malawians (with the exception of the Press PTC shops) were unable to replicate the Asians’ commercial networks, which further undermined the rural economy. Using the good land it received, cheap and docile labour – by-products of Banda’s anti-trade union, minimum wage and anti-urbanisation policies – and benefiting from extension workers’ advice and technology, the estate sector grew quickly, eventually producing 30% of the nation’s GDP. The political implications were obvious: ‘this policy appeared to be an attempt to create a new class of wealthy Malawians, who not only would aid the country by their development efforts but also would owe the president an important political debt’.¹⁰⁰ Not surprisingly, Dr. Banda’s development model generated high levels of inequality.¹⁰¹

The economic policies implemented until 1979 were much the same as those of the late colonial period, but with an average economic growth of 5% per year and a real per capita annual income increase of 2.5%, they appeared successful partly because economic growth at independence started from such a low level.¹⁰² Importantly, national food output kept pace with population growth, although smallholder production declined and was off-set by the output from the estate sector. Also, while formal sector employment tripled between 1968 and 1989, total average real wages declined by 38% between 1969 and 1980, a decline that continued right into the present. In other words, smallholder agriculture on customary land, farmed by peasants who received relatively little credit or technical assistance, stagnated. Peasant advancement and raised expectations were also discouraged by the regime’s refusal to provide quality education. Meanwhile, little investment went into industrialisation and most of what was invested, came from the state and/or went to Press companies. Land scarcity and the failure to industrialise generated large-scale un- and under-employment, increasingly and especially amongst the youth. For example, at the time of the transition 145,000 job seekers hit the market annually compared to only 15,000-35,000 job openings, a situation that has continued to grow worse.¹⁰³

Economic failure becomes evident

The major economic slump at the end of the 1970s was precipitated by deteriorating international terms of trade, transport problems arising from the war in Mozambique – a war that Dr. Banda and his subordinate, John Tembo, fuelled with their support for Renamo rebels¹⁰⁴ – the rising cost of oil, and poor weather. (See *Annex 3* for map of Malawi and neighbours). ‘Policy weaknesses and slippages’ exacerbated the effect of these external shocks. Meanwhile, manufacturing – monopolised by parastatals, the Press companies and a few multinational companies (such as Lonrho) – stagnated. Parastatals began to run heavy losses and the profits from estates – profits that had run upwards of 25% per annum in the mid-1970s – fell significantly. Many estates went bankrupt. As a WB analyst put it, the ‘new rural bourgeoisie’ – many of whom, it should be remembered, were also civil servants and businessmen – had by the mid-1980s become a ‘disappointed class’.¹⁰⁵

Importantly, structural weaknesses in the economy were attributed to ‘an inefficient production sector, resulting from price controls; the poor performance of smallholder agriculture, due to large-scale estates; inadequate funding of principal sectoral activities, such as agricultural inefficiencies of most parastatals due to unsystematic and wasteful investments; emphasis on a few agricultural commodities.... which are subject to large fluctuations in international prices; and overvalued exchange rates’.¹⁰⁶

The government determined in this period that all of the land that could be cultivated without damaging the environment was being planted and that more than one-third of rural Malawians could not meet their annual subsistence requirements without taking piecework (*ganyu*) labour.¹⁰⁷

Economic collapse required both the assistance of the Bretton Woods institutions and a restructuring of the Press companies. Press Corporation and Press Trust, holding the corporate shares, were created, thus dividing Press’s political interests and commercial functions.¹⁰⁸ Malawi started a structural adjustment programme in the early 1980s – which temporarily halted the decline in the GDP. But the rate of inflation, the budget deficit and the public debt-service ratio continued to climb. Falling were per capita GDP, due to population growth, and per capita expenditure on economic and social services.

Real GDP growth fluctuated throughout the late Banda years, reaching a high of 6.8% in 1984 after a period of drought. With further financial support from the Bretton Woods institutions, ‘relatively buoyant’ economic growth was experienced between 1988 and 1991, a period when real GDP growth rose from 3.3% to 7.8%. (Press Corporation also benefited between 1984-90, with an estimated 30% growth rate after restructuring).¹⁰⁹

However, the gains arising from national growth were short-lived: the national economy faltered in the 1990s, largely as a result of external shocks – such as drought and the reduction of donor financial support between 1992 and 1994, a reduction designed to encourage Dr. Banda to hold multiparty elections. ‘For example, the economy recorded growth rates of -7.9 percent in 1992 and -11.6 percent in 1994, before recovering with a growth rate of 14.5 percent in 1996’. The inflation rate remained stable until 1990 (averaging 16.6% in the 1980s), after which it fluctuated, as Malawi’s currency, the kwacha, was devalued, and as the country experienced ‘fiscal slippages and external shocks’. Inflation rose from 11.9% in 1990 to 34.7% in 1994, and 83.4% in 1995. Meanwhile the value of the kwacha dropped: there was near parity between it and dollar in 1982, but the value of the kwacha was K4.40 = US\$1 in 1993. The kwacha exchange rate moved to K8.70 in 1994 (and to K69 by late 2000 and K105 in August 2003). Fiscal deficits and

government borrowing generated higher interest rates, which rose from 17% in 1980 to nearly 30% in 1993 (and to 52% in 2001 and 46% in 2003).¹¹⁰

On a national scale the failure to diversify the domestic economy and exports, to reduce import- and aid-dependency, combined with Dr. Banda's policy of maximising 'state and private entrepreneurial interests at the absolute expense of the majority' created a pool of cheap and under-skilled labour, a 'crisis of underconsumption', enormous and long-term poverty¹¹¹ and discontent with Banda's policies. It was this group of impoverished Malawians who gave weight to the reform movement,¹¹² though its leadership came from the middle class, many of whom had once been close to Dr. Banda, but were now suffering under his political and economic policies.

The legacy of the MCP's unbalanced development policy is profound:¹¹³ at the transition in 1994 agriculture was dualistic and the tea, coffee, sugar and tobacco estates generated most of Malawi's foreign exchange from trade though 85% the rural population lived on overcrowded smallholdings and grew rain-fed, subsistence crops, using hand-held hoes, unimproved seed and little if any fertiliser. Their maize (the staple food) yields were amongst the lowest in the region – perhaps one-half the level of Zimbabweans' yields and one-third of their potential. There were high rates of malnutrition (50%+) and hunger, as rural people were often reduced to eating only one or two meals a day, especially in the lean months before the harvest. Commerce and industry (mining, manufacturing and processing) were under-developed, with investment capital and skilled labour especially scarce. Vast numbers of people were un- and under-employed. The Gini coefficient stood around 0.57-0.62,¹¹⁴ one of the highest recorded in sub-Saharan Africa.

The socio-political implications of uneven- and under-development were important to the future of the nation as well. Without significant productive capacity and little commerce, Malawi lacks a large middle class, forming an elite that is unified and 'committed to democracy in principle ...[and with] the ability to bargain with one another, form coalitions, mobilize public support and respond to public pressures and preferences'. Instead, the political elite care little about issues but are tied upward by patronage relations to 'big men' along parochial lines of region, ethnicity, and religion; the elite are generally unresponsive (even hostile) to the largely uninformed and impotent public. Civic community – horizontal features of social organisation that draw together people as equals 'cooperating in relations of "generalized reciprocity" and mutual benefit and respect' – are largely missing too, again because primordial hierarchical networks intersect and undermine them. 'Civicness' – 'reciprocity, cooperation and trust [along class lines] as opposed to hierarchy, fragmentation and distrust'¹¹⁵ – is a result of economic development and is stunted in Malawi.

The transition to multipartyism

The 'transition without transformation' (a phrase coined by the historian Wiseman Chirwa not long after the transitional election) was negotiated between the MCP and the opposition between 1992 and 1994. While sporadic and relatively low-level violence accompanied public demonstrations for 'change' and better working conditions, the transition was generally a peaceful process.¹¹⁶ This was because violence was contained, first by the MCP, which undermined its vigour by agreeing to piecemeal reforms, and by the opposition leadership. None of the men who would eventually come to power was a radical. They did not want 'anarchy' or to be 'overtaken by events'.¹¹⁷ Similarly donors 'worried that unrest would spread and that chaos would result, promoting them to push for a political settlement before violence became uncontrollable'.¹¹⁸ Nor were the churchmen who led the multiparty effort during its first phase in 1992, revolutionary: they preached social justice, held peaceful demonstrations, distributed literature, and advocated the creation of a commission to study political reform. The few radicals

in the movement, based in trade unions and at the university for instance, were quickly sidelined.

Liberal democratic civic and capitalist economic values dominated, at least at the rhetorical level. All of the parties had similar socio-economic platforms, leaving personalities, patronage and regional affiliations and historical antagonisms the key differences between candidates.¹¹⁹ Therefore, since 1994 the differences between the parties (seven in 1994 and nearly 30 in 2003) have been based less on class, ideology or policy than on region, tribe and to an increasing extent, religion. Issue-based politics has little meaning in Malawi. Efforts to hold MCP leaders and other politicians (most of whom left the MCP and joined the UDF) accountable for past atrocities were stillborn as part of the compromise settlement, which meant that many tyrannical personalities, policies, structures and laws continued to operate after 1994.¹²⁰

Macroeconomic policies and practice

The economic strategy articulated by the UDF and Mr. Muluzi conformed to the policies advocated by the international donor community in the early '90s. This is partly because the end of the Cold War undermined alternative (socialist or command) economic models, because the UDF was led by men (and a very few women) from commerce and the liberal professions whose natural inclination was to open up the economy to new entrants, the new government had few technocrats with the skills to design an alternative strategy, and because the country was highly dependent on international aid and technical advice from western donor agencies.

Moreover, the early '90s was the period when the 'new world order' was expected to promote democracy and development in Eastern Europe and much of Africa. This belief gave rise in Malawi to optimistic views about what institutions and systems the UDF government would want to change and how much it would be able to accomplish. With hindsight, these were uninformed and unrealistic expectations. But this sense of optimism meant that donors and the public gave the new government a 'honeymoon' period that was much longer than a more balanced and pragmatic assessment of its poor performance warranted. Further, donors often have a broader view – comparing Malawi with neighbouring states, for instance – and a longer view – seeing development as a decades-long process – which has resulted in donor patience with Malawi's non-compliance, inefficiencies, and slow progress. Moreover, performance has been measured by donors almost exclusively in economic terms – inflation rates, balanced budgets, fiscal reform and the like – rather than in terms of improved governance or social indicators (which are generally assumed to be dependent on economic growth). Thus donors established annual fiscal and macroeconomic performance benchmarks, which were continually relaxed. Malawi and the donor community now live with the consequences of their lack of rigour.

One characteristic of the transition was the general continuity of macroeconomic policy.¹²¹ During the Banda years, Malawi implemented several structural adjustment programmes supported by the IMF and WB. After the UDF came to power, Malawi implemented three Fiscal Restructuring and Deregulation Programmes; a form of structural adjustment supported by the WB, and has benefited from a series of Enhanced Structural Adjustment Facilities supported by the IMF. The IMF has adopted Poverty Reduction and Growth Facilities as its main instrument, while Malawi completed the Poverty Reduction Strategy process. Indeed, structural adjustment (SAP) is approaching its 23rd year, yet has resulted in what one economist states is little 'real adjustment to the structure of the economy'.¹²² The new government has also negotiated an enhanced HIPC debt reduction agreement worth a billion US dollars.

Especially important to the businessmen in the UDF (for political and economic reasons) and to the donors (for ideological reasons) was government's gaining control of, and breaking up the

Press empire, which was done through suspect (verging on illegal) means between 1995-97. Thereafter, Press Corporation pared itself down (selling off non-productive companies and laying off thousands of employees) and profited. Press Trust and Press's pro-MCP newspapers, *The Daily Times* and *The Malawi News*, have come under UDF control. Unfortunately, Press's 'development role' (attracting and investing capital, mobilising domestic savings, moving profits to poorly performing sectors, ensuring national ownership of key industries and sectors, servicing remote rural areas, etc) was not taken up by other private investors.¹²³ But some relatively accessible and profitable sectors of the economy (e.g., petroleum, agricultural processing and inputs, transport, infrastructural development, construction, communications, etc.) have seen the rapid growth of companies owned by the new political elite.

Pro-poor expenditure

The centrepiece of Mr. Muluzi's economic policy is 'poverty alleviation', which promises to improve directly the livelihoods of working people and the poor by funding education, health and other social sectors using funds made available by donors (e.g., through the WB's Malawi Social Action Fund and the EU's Micro-Project). Free primary education has been a central platform of the poverty alleviation programme (PAP) – with millions of enthusiastic children enrolling in schools for the first time. Government also determined that agriculture should remain the driving force of the nation's development, though it initiated far-reaching changes through deregulation. Specifically, the repeal of the Special Crops Act in 1995 lifted Dr. Banda's restrictions on smallholder production and sale of burley tobacco. This resulted in a net profit of US\$20-25m for smallholders in 1995-96 alone – 'the largest cash injection of income to have ever taken place in rural Malawi'. Consequently, burley growers withdrew their labour from larger farms, prompting an increase in rural wages and other spin-offs. At the same time sales of fertiliser and other inputs were deregulated, some parastatals privatised, and subsidies lifted.¹²⁴ From 1998 the donor-funded Starter Pack programme (now called TIP, the targeted-inputs programme) provided free agricultural inputs (seeds and fertilizer) to millions of subsistence farming families. These agricultural reforms initially fostered trade, transport and income creation.

But in the longer term development targets in these sectors have not been met. The problem appears to be not so much bad policies as delayed and poor implementation. Malawi's *Poverty Reduction Strategy Paper* (PRSP) notes that PAP has not generated economic growth or lifted the mass of the population out of poverty because of the 'absence of a well-articulated action plan to ensure a holistic approach to implementation. In particular, there have been inadequate linkages to the Budget, little prioritisation and a lack of target setting', as well as other problems.¹²⁵ Specifically, the PRSP states that

over time, [the] benefits [to farmers] have been offset by input prices increasing faster than producer prices. The lifting of price controls and elimination of fertiliser subsidies have contributed to increased input costs. Again, during years of bumper crops, farmers have lost out because producer prices have often collapsed without any remedial Government interventions. The failure to foster competition in both the input and output markets in response to liberalisation compromised the sector's ability to consolidate and sustain the benefits accruing to the poor.

Similarly, the Public Expenditure Review in 2000 lamented that relatively little money that is authorised for social services actually reaches the grassroots level: resources are not used 'efficiently or effectively' or in ways that aid the poorest people. With regard to education, for instance, the PRSP states that the share of the recurrent budget for primary education rose from 50 % in 1993-94 to around 60% in 1999-2000, with the poorest sections of the population

benefiting from an increasing share of primary education expenditures. However, expenditures per pupil are 8 times higher in secondary education than in primary education, and 202 times higher in tertiary education. Moreover, the PAP primary education policy had been proven by the end of the '90s to have failed: improved access to primary schools had not been matched by other inputs. Pupils who began school with enthusiasm left because resources – teachers, books, classrooms, desks etc. – and quality were in short supply.¹²⁶

In health, about 18% of the budget is spent on services, though tertiary health services receive most of the budget. Furthermore, as noted below, implementation of health policy is poor. In agriculture, the largest share of the budget is 'spent on administration, with Headquarters receiving a significant proportion of this, partly because all donor funds are channelled through Headquarters and because of the centralised structure of the Ministry. Expenditures on agricultural research and extension as a percentage of GDP have fallen, with extension spending declining from 0.6 percent in 1995/96 to 0.3 percent in 2000/01'.

The PRSP concludes, 'although Government has reallocated funds to those Ministries that have direct impact on poverty reduction, these funds were not always directed within the Ministries to those particular sub-sectors and activities that directly benefit the poor. This would explain why the overall reallocations in expenditures have had a limited impact on poverty reduction in the 1990s'.¹²⁷

The public's perception of the quality of social services is mixed. For instance, people travel on average 10 km to a clinic and 30 km to a hospital, where they generally receive treatment from professionals they trust, albeit after a wait of several hours. Medicines are often unavailable for treatment. Similarly, teachers are generally considered competent, but there are too few of them, and insufficient classrooms and supplies. The poor quality of education, the long distances to schools and fees keep children from attending school. Half of farmers are not visited by agricultural extension workers, though those that visit are trusted. Over two-thirds of people are dependent on ADMARC for food though villagers must travel on average 12 km to the nearest ADMARC depot. Infrastructure in the rural areas is poor, and undermines development generally. Insecurity is also an issue, with the nearest police post an average of 18 km from a villager's home; about one-half of the rural population feels safe as a result of policing.¹²⁸

Finance, industry and trade

Industry and investment continued to stagnate in the 1990s. Because of Malawi's small and impoverished population, industrialisation can not be driven by the local market, and the regional market, which is opening up and becoming available to producers, is relatively inaccessible because Malawi's transport costs are high, regional competition is fierce, local labour productivity is low, its power supply is unreliable, and its communications infrastructure is only now expanding. The country also has weak financial institutions, few natural resources and no obvious items to sell that are not produced elsewhere, cheaper, in the region. Foreign capital is scarce because companies are reluctant to invest in a country with these handicaps as well as a rising crime rate and widespread corruption. Foreign investors also fear political instability and a breakdown in the rule of law.¹²⁹ (Also see Table 12 below re. risk.)

According to the PRSP, the government passed the Privatisation Act in 1995 to permit the sell-off of public enterprises, which was meant to improve efficiency, foster competition and establish a wider base of share ownership. The process has been slow and uneven. It was even halted for four months in 2001. Though it is now on-going, dissatisfaction has been widely expressed about a number of 'social and redistributive issues', such as retrenchment of excess staff and popular

ownership. Donors and civil society have also expressed concern that funds realised by privatisation are not being well used.¹³⁰ Since 1994 a number of previously private companies that provide key services and jobs have been kept from failing by transferring them into government hands – e.g., David Whitehead textiles (a gift from Lonrho because the company became unprofitable), Granmil (a milling company that went from Press to ADMARC ownership) and the Stagecoach bus company (also to ADMARC).¹³¹ This practice has proved to be expensive. Government has also continued to bail out other parastatals at a great cost to the public and treasury.¹³² Finally, parastatals serve one further function: appointments to their boards reward party loyalists and provide them with income.¹³³

The liberalisation of interest rates began in 1987 when lending rates were freed. Deposit interest rates were deregulated in 1988 together with the abolition of preferential interest rates to the agricultural sector. By May 1990, all interest rates became fully liberalised. The exchange rate system was liberalised to promote Malawi's competitiveness in international markets. The kwacha's flotation by Dr. Banda's government in February 1994 was meant to enhance flexibility in achieving this goal. Yet the erratic but continuous fall of the kwacha, the high rate of interest and of inflation provide testimony of the weakness of monetary policy and/or its implementation since the transition.

The Reserve Bank of Malawi and Banking Acts were reviewed in 1998-99 to allow, among other things, easy entry of new banking institutions into the financial sector and to give the Reserve Bank greater independence in the formulation of monetary policy. The revision of the Acts strengthened the Reserve Bank's powers to supervise the banking industry. But the liberalisation of the financial sector meant that monetary policy had to shift from direct to indirect instruments of monetary policy, which have had mixed success. Attempts to reform the government's accounting and reporting systems and its budget-making process have also been slow and only partially successful.

According to the PRSP, major industry and trade reforms were implemented in 1988 through the Industrial and Trade Policy Adjustment Programme. The programme eliminated quantitative restrictions and rationalised trade taxes. Malawi's tariff bands were reduced to four. The foreign exchange market was also liberalised to ensure efficiency in foreign exchange allocation. Locally produced goods were exempted from surtax in 1992 as a way of offering protection to local producers. The rationalisation of trade taxes ensured that only import duties were used as instruments of protection, while domestic taxes emphasised taxing consumption rather than production.

In practice, though, the collection of tax (by the Malawi Revenue Authority) has been sporadic¹³⁴ and subverted by government at times – e.g., some senior political figures and institutions remain outside the tax system – while other efforts to gather revenues (e.g., collection of traffic fines and customs duties) move slowly. Moreover, in the 1990s Malawi has become increasingly dependent on cheap processed (and sometimes even raw) food and manufactured imports (mostly from Zimbabwe and South Africa) because local manufacturing, where it existed, was inefficient; production costs were high, as were interest rates, import duties, surcharges, and tariffs on utilities.¹³⁵ Making matters worse was the continuing high cost of road transport, and the deteriorating roads and local fleet of trucks, while the alternative – the railways and lake transport system built up by the colonialists and Dr. Banda – is antiquated and inefficient.

Human resources and management

Government's civil service reform programme included in the mid-90s a census of civil servants (which numbered over one hundred thousand) and the retrenchment of 20,000 temporary employees. Strategic and functional reviews of ministries formed the basis of government policy on rationalisation of government, recommending the contracting-out of certain functions and the removal of operational overlaps. Proposed changes met with resistance and few significant reforms have been implemented in recent years. (See below for further discussion of civil service reform).

According to the PRSP, in response to the need to improve public service efficiency and to the limited financial resources available, the government adopted the Medium Term Expenditure Framework in 1997 to improve the allocation and quality of public expenditure. Specifically, efforts were made to strengthen expenditure prioritisation and to increase allocation to priority sectors such as education and health. These policies were supported by the Fiscal Restructuring and Deregulation Programme, which also sought to reduce domestic financing of deficits and retiring of domestic debt. But as will be noted below, public borrowing and expenditure has not been contained and priority sectors have not been prioritised in practice.

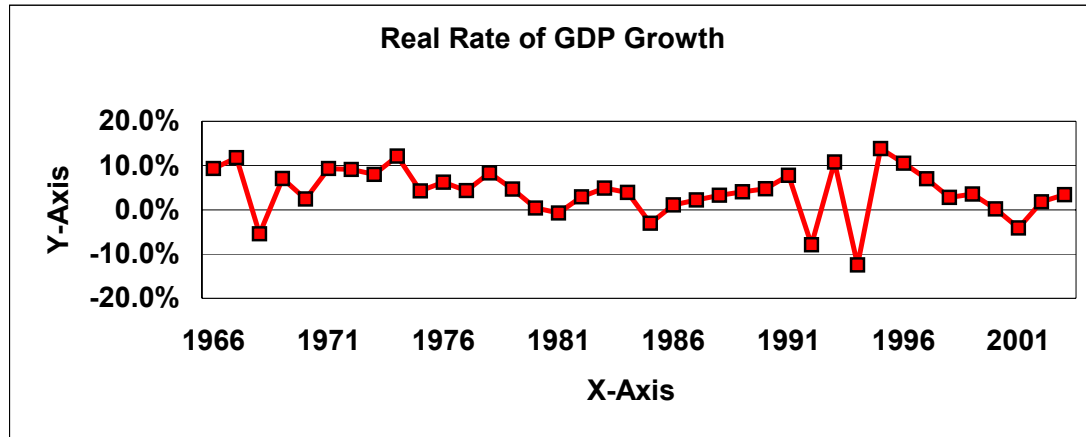
Several measures to improve financial management and accountability have been implemented. A computerised Integrated Financial Management Information System has been designed with a view to strengthening the monitoring of expenditure, and to create an integrated fiscal reporting system linking the Treasury with the Reserve Bank of Malawi and line ministries to ensure timely reconciliation of accounts. It is not yet fully implemented.

The impact of structural adjustment

Many believe that structural adjustment policy has failed Malawi's poor. In its evaluation of SAP, the National Economic Council (a GOM department) stated that 'the only positive effects of the market liberalisation felt at the [village-level] are improved access to second hand clothing ... and to mini-bus transport'. Environmental damage has also resulted from SAP.¹³⁶

Pauline Peters found that in the rural areas market liberalization has provided new income opportunities through the sale of tobacco and maize, but that the profits have gone solely to elite business leaders, while the poorest one-quarter of the population experienced a deterioration in their income and food security. Similarly, the World Development Movement claims that 'IMF enforced policies ... have undermined Malawi's ability to feed its people'. It blames the 'ongoing privatisation of the food production and distribution system (notably ...ADMARC), removal of agricultural subsidies to small farmers and deregulation of price controls on staple foods such as maize – policies that have enabled Malawi to avoid famine in the past'. Oxfam UK concurs, noting that while 'state marketing systems set up in the 1970s provided a huge drain on government budgets and prevented the development of the market..., were inefficient and poorly run, often benefiting richer farmers....., they played an important role in food security...' With 'rapid liberalisation the private sector has in most cases failed to fill this gap'. A more active role for the state in managing the market than has heretofore been designated by the SAP policy is therefore proposed by Oxfam and others in order to ensure that reforms integrate subsistence farmers into the market.¹³⁷

Table 1: GDP Rate of Growth, 1966-2003



Source: GOM, National Statistic Office and *Economic Reports*, various years.

Meanwhile, other analysts have taken the opposite tack and blamed the government's failure to implement SAP, specifically its lack of compliance when implementing social sector policies and living within budgets, as the reason for the lack of progress on poverty reduction nationally rather than SAP itself. Others suggest that the failure of SAP in the rural areas has more to do with lack of land and inequality than with the structural adjustment policies themselves.¹³⁸ The PRSP seems to concur:

the impact of the wide ranging policy reforms implemented during the adjustment period has been mixed and mostly unsatisfactory insofar as poverty reduction is concerned. Although there have been periods of macroeconomic stability, sustainable growth has proved elusive. The instability has to a large extent arisen from external shocks, inconsistent implementation of reforms, fiscal policy slippages and the narrow base of production capacity. The inability to sustain high rates of growth over a long period has undermined any poverty reducing impact of growth. Furthermore, macroeconomic instability has aggravated the poverty situation.¹³⁹

The impact of governance on performance

Governance has played a role in limiting Malawi's ability to develop economically and raise the poorest classes out of poverty. Since coming to power in 1994 the President and UDF have been preoccupied by domestic political rivalries, which has undermined the administration's ability and will to address poverty (and other pressing) issues effectively and efficiently. Thus, to understand Malawi's poor performance it is important to assess the form and quality of its governance¹⁴⁰ and to determine how these have affected policy and its implementation.

Due to limitations of space, rather than surveying Malawian politics since the transition (see *Annex 2*), certain political trends and events are identified here as especially important. They have influenced institutions and processes meant to promote the rule of law, personal security and property rights; guarantee transparency and accountability; strengthen civil liberties; promote civil society institutions and an independent parliament and judiciary; ensure free and fair elections; foster equality and peace between different groups (regions, tribes and religions); and combat corruption, crime and discrimination – all of which are essential to the creation and maintenance of an environment conducive to economic progress.

International monitors of global political systems calculate that Malawi's quality of governance has deteriorated in recent years. (*Annexes 4 & 5*) This author would argue that democratic consolidation has in fact, been moving backwards since the mid-90s.¹⁴¹

Generally more conservative, Malawians will go as far as saying that democratic consolidation since 1994 has been slow. They identify the 'factors standing in the way of progress as a lack of vision, capacity, coordination and policy as well as poverty.'¹⁴² Similarly, while relieving Malawi's leaders of responsibility except in so far as they restrict funds, another set of local analysts list the structural constraints to consolidation as:

- a fragmented and fragile civil society in terms of human and institutional capacity, insufficient funding, a weak legal basis, and poor networking;
- weak public sector capacity to guarantee accountability, transparency, personal integrity and financial probity;
- low levels of public debate and participation in decision-making due to lack of structures, mechanisms and processes, information, for a for dialogue;
- weak management of transformative structures and institutions meaning that the legal framework that is to guarantee the rule of law, human rights, as well as due process, is not well-implemented;
- limited enforcement and observance of human rights due to lack of knowledge, traditional practices, weak monitoring, and insufficient human and material resources; and
- inadequate adherence to the rule of law and the separation of powers due to weak capacity and insufficient funding in judiciary and legislative branches of government, weak coordination and linkages between various stakeholders, corruption, and a negative public perception of the due process of law.

Malawian solutions to such structural problems inevitably include workshops and training, capacity building, civic education and tinkering with institutions.¹⁴³ These have been largely unsuccessful because they address the characteristics of poor governance rather than its causes.

In keeping with the logic of neopatrimonialism Mr. Muluzi has been continually preoccupied since 1994 with achieving UDF numerical superiority in the National Assembly. Creating and retaining a set of loyal MPs has been key to Malawian political development since the transition. In 1994 the UDF started with less than a majority of MPs but over the years the administration – by using the Speaker's power, courts where possible, allegedly bribes, party youth and the police, constitutional changes, formal and informal alliances and coalitions, rights abuse, the electoral commission, the public media and other government institutions and resources, etc. – has managed to achieve its goal of having more UDF and UDF-affiliated MPs than opposition numbers.

Table 2: National Assembly Election Results by Seats Won, Region and Party, 1994 and 1999

	<i>National</i>		<i>North</i>		<i>Centre</i>		<i>South</i>	
	1994	1999	1994	1999	1994	1999	1994	1999
<i>AFORD</i>	36	29	33	28	3	1	0	0
<i>INDEPENDENTS</i>	0	4	0	0	0	1	0	3
<i>MCP</i>	56	66	0	4	51	54	5	8
<i>UDF</i>	85	93	0	1	14	16	71	76

Source: Diana Cammack, 'The Democratic Transition in Malawi: from single-party rule to a multi-party state', in John Daniel, Roger Southall and Morris Szeftel, eds., *Voting for Democracy: Watershed Elections in Contemporary Anglophone Africa* (Ashgate, 1999) and Martin Ott, Kings M Phiri and Nandini Patel, *Malawi's Second Democratic Elections: Process, Problems and Prospects* (CLAIM, 2000).

Mr. Muluzi's alternative to gaining numerical strength was to work with the opposition – the MCP and AFORD – but either he and the UDF did not know how to do this¹⁴⁴ (to get legislation through a parliament they did not dominate numerically) or they had no desire to try.¹⁴⁵ That confrontational personality and party politics was opted for instead of compromise and negotiation is tragic because ideologically, the parties are not significantly different and their economic and social policies would have been similar.¹⁴⁶ This is because 'issues' do not separate the politicians and parties: there are few debates, contests or competition around policies or even practices. The resources, skills, and energy of MPs and ministers could have been spent on good policies and implementation instead of consolidating power.

There has been a high social, political and economic cost. For example, because judges have had to arbitrate between the parties in cases ranging from parliamentary rules to coup plots, their decisions have been seen as political. Attempts by parliament and the president to control, manipulate or undermine the power of the judiciary and of certain (independent-minded) justices resulted. Consistently the views and votes of UDF and aligned opposition MPs have been dictated by the president. Thus the separation of powers – which is supposed to make the democratic system of checks and balances work – has been reduced. Because coalitions and alliances between the three parties have vacillated constantly, and because leadership fights have split all three parties and impaired their functioning, their representation of the people and their concern for public welfare, the public believe that few of politicians are principled or above being influenced (or bought) by party leaders. This has increased public apathy and cynicism,¹⁴⁷ especially amongst better-informed urban residents.

Similarly, to obtain and retain power during elections, the ruling party has manipulated the publicly owned media (MBC and TVM especially), the electoral commission (and its membership and decisions), the police (and appointments to its leadership ranks), and relief assistance. The 1999 election was deemed 'free but not fair' and recent events suggest that the 2004 elections will be no better.¹⁴⁸

To obtain or ensure loyalty the party leadership has used patronage in all its forms. This has, for instance, influenced the award of contracts, the appointment and retention of officials, the protection of corrupt politicians including ministers (from the ACB), as well as the choice of constitutional amendments, cabinet appointments (and thus numbers), and even international relations. MPs have been forced to be loyal to their party's leaders, rather than their constituents (who rarely see their MPs between elections) because control over party funds, policies and alliances and over the choice of candidates for each constituency, rests (to varying degrees) with the leaders of AFORD, MCP and UDF. The several-year struggle over the meaning and intent of Sec. 65 of the Constitution, and its eventual amendment – to halt 'crossing the floor' by MPs, and their 'associating' across party lines – is symptomatic of the desire of party leaders to retain control of their MPs and their votes. (The court deemed the amendment unconstitutional, and disloyal MPs who had been removed were returned to parliament in late 2003, yet the leadership retains control over UDF MPs (and in alliance parties) by protecting their constituencies from alternative UDF candidates seeking to run for parliamentary in the 2004 elections).

Loyalty is rewarded, especially by the ruling party because it controls the states' resources: *the main (and nearly only) asset to be won in the struggle for power in Malawi*. Not only have MPs

and cabinet ministers been provided with various inducements and awards (direct monetary, positions offering rents, grants, etc) but so too have government bureaucrats (e.g., in the Ministry of Information) and people in private business, who have advanced the ruling party's cause. In the meantime, the ruling party (through the courts and parliament) have crippled the opposition parties' fund-raising efforts, reducing their capacity to use patronage for their own political ends and to run elections.

Worse in recent years is sectarian violence, stirred up by politicians in the three parties who use religion, ethnicity, and regionalism to mobilize votes. Church leaders urging their parishioners to support candidates who stand for Christian values do little to defuse tensions. Nor do Islamic clerics who support the UDF because Muluzi (and the proposed VP candidate, Cassim Chilumpha) is a Muslim. Party youth, especially the so-called Young Democrats (UDF), have been most consistently violent and destructive. There is little wonder that significant numbers of people look back fondly on the Banda regime, with its relative peace (ensured by the MYP).¹⁴⁹ The increase in insecurity, crime, conflict over land, and vigilantism are widely felt in the cities and countryside. The courts' backlog (due to insufficient funds) and the lack of trained legal staff (in private practice and in the judiciary) reduce legal protection and access to justice. Meanwhile, corruption has become worse in all sectors.¹⁵⁰ As traditional methods of dealing with crime and injustice break down in rural areas (partly because democratic structures undermine the traditional power of chiefs and because AIDS is destroying families and communities) the state is required to enlarge its role. That it has not sufficiently tackled corruption and crime is partly the result of financial and human resource constraints, but also because the ruling party seems to lack the will to use the ACB, police, and courts to prosecute corrupt politicians and senior officials.¹⁵¹

Organised civil society is weak in Malawi, yet it, especially churches and a handful of NGOs, has tried to monitor and criticise government. The churches, as elsewhere in southern Africa, feel obliged to speak out on behalf of the people, and using the pulpit and civic education, have played a pivotal role at various stages – e.g., during the 1992-4 transition and during Muluzi's bid for a third term. Not surprisingly, in return the NGOs and churches have been accused by government of being 'political' or run by opposition politicians. Government passed an NGO Act meant to close such NGOs and to halt the opening of new ones. Similarly, the few independent media outlets have been sued, stormed, and starved of government advertising revenue (an important source of income) and their reporters and vendors have been harassed and beaten (by UDF youth mostly). Government has managed to limit the development of independent broadcasters to two stations run by UDF stalwarts, a rural women's station, the Institute of Journalism's station – the latter under attack by government for its independent news bulletins – and a handful of religious stations.¹⁵² At the same time it has maintained firm control over the public media, using it to promote UDF interests solely and without the oversight of communications regulatory agency – MACRA (set up by the Communications Act). Generally, then, the historical weakness of organised civil society, and the attacks on it and the churches since 1994, have had the effect of reducing government accountability and transparency and inhibiting the consolidation of democracy.

Also weak and under attack are the constitutional bodies designed to operationalise and monitor the bill of rights – the Ombudsman's office, the Human Rights Commission, the Law Commissioner, the Anti-corruption Bureau, and the National Compensation Tribunal (which has worked in silence). Some (e.g., the HR commission and the NCT) have been starved of funds and/or sufficient proficient and independent staff since they have started operations. The effectiveness of the ACB (in prosecuting senior officials especially) is undermined by the law limiting its right to arrest without warrants and to prosecute without the DPP's consent. (This continues because amendments to the Corrupt Practices Act meant to address these omissions

were dropped by cabinet in late 2003 in spite of government promising donors it would enact them.) Meanwhile government is trying to rein in the Ombudsman with new legislation and funding restrictions.

This is not to say that agencies, organisations and opposition parties have not fought back, and attempted to protect their independence, to defend themselves against legal and unlawful attacks, to raise funds, to work collaboratively, and to amend the laws governing them. While some would argue that having fought off assaults, these institutions are 'stronger than before', yet this is not obvious to others. Political parties and parliament for instance, have not benefited from the divisions engendered by the third term fiasco, nor has the press been changed fundamentally because the two main newspapers (*The Daily Times* and *The Nation*) are now critical of the UDF government (i.e., they are still owned and used by politicians). Some judges may feel vindicated and personally stronger for standing up to the UDF's onslaught, but the foundations of judicial institutions remain 'shaky'.¹⁵³

By and large, the wider public is unaware of many of these problems, though NGOs and faith-based organisations and the independent media have expressed their concern about rights abuse, misuse of resources, violence, self-interested constitutional changes, bribing of MPs, etc. Moreover, without a private, *pro bono* legal committee to take constitutional cases to court, infringements of people's rights have gone unchallenged. Nor has the constitutionality of new laws and constitutional amendments always been tested in courts. Instead, a few cases have been taken to court by opposition parties, but these have served to politicise what are essentially constitutional and human rights issues. Donors, more concerned with economic policy and practice, have rarely taken a public stance regarding these and other governance-related transgressions.

To summarize: evidence demonstrates that Malawi is a poorly performing country – i.e., while aid has poured into Malawi, the structure of the economy has changed little and many social and economic indicators have declined. Malawi's progress towards meeting the Millennium Development Goals (MDG) is therefore mixed. Statisticians at the ODI notes that 'on the basis of data for 1990-2000 Malawi is roughly on course to meet the targets for hunger and gender equality, but not the targets for child health, sanitation, or clean water. There are no direct data on progress toward the poverty target. However, if the economic growth continues at the same rate as between 1990-2000 (1.3%) the target will not be met'. UNDP confirms that primary school enrolments increased by 30% in the decade, that girls' enrolment rose more quickly than boys', that measles inoculation coverage improved, but it notes that 'the under-5 mortality rate increased in ...Malawi ... after decades of steady decline'. It is unlikely that the MDG targets will be met in most cases.¹⁵⁴

International assistance has continue to grow as a percentage of the budget (until end-2001), of pro-poor expenditure, the GDP, and development spending. Dr. Banda's development policy, which prioritised national growth over pro-poor expenditures and social protection, set the stage for the new administration's poverty alleviation policy. Since then poor implementation of the PAP has combined with inherent constraints to development (such as lack of natural resources) to limit growth and increase poverty. The reasons for poor performance – both in terms of growth and pro-poor achievements – are linked to the inefficient and incomplete implementation of policies and programmes. Why non-compliance is so pervasive is debated continuously by commentators: what role does corruption at the highest levels play in poor performance? How important are politicians' and civil servants' lack of will and interest in performance? How many failures can be put down to simple incompetence or misunderstanding of the role of government in development? That is, is government committed to change and what is its 'political capacity' to

promote pro-poor reform?¹⁵⁵ Observers will present a mix of the three causes – incompetence, lack of will and interest, and malfeasance – in different proportions, and how they prioritise them will determine their proposed solutions: e.g., withdrawing aid, providing technical assistance, building capacity, prosecuting corrupt officials, etc. In recent years it is safe to say, though, that poor implementation of policy is closely linked to poor governance and to the logic of Malawi's neopatrimonial system of rule.

Annex 2: Significant political events in Malawi

Colonial Period

1891	British declare Nyasaland a protectorate
1907	Nyasaland becomes a British colony
1944	Formation of Nyasaland African Congress (later becomes Malawi Congress Party - MCP)
1953-63	Central African Federation (disbanded 31 Dec 1963)
July 1958	H Kamuzu Banda returns to Malawi upon invitation of Nyasaland African Congress members to lead the independence movement
1959-60	Banda imprisoned by British colonial government after it declares state of emergency
Feb 1963	Nyasaland self-rule granted
April 1964	Pre-independence election has only MCP candidates due to MCP intimidation

The Banda Regime

July 1964	Malawi becomes independent with H Kamuzu Banda as prime minister. MCP has all parliamentary seats.
1960s	+ ¾ foreign aid from Britain
1964	Cabinet Crisis (ministers fired by Banda, others quit and many people go into exile)
1965	Chipembere revolt
1966	Banda becomes Life President of the MCP
1967	Yatuta Chisiza abortive invasion from Tanzania
1968	Chitumbuka riots in north
1969	World Bank large scale assistance starts
1971	Banda becomes Life President of Malawi
mid-1970s	SA builds Banda a capital city (Lilongwe) in central (Chewa) region; Malawi opens diplomatic relations with apartheid SA
1977	American, European and German assistance on large scale starts
1981	Structural Adjustment (WB) starts
1983	Mwanza murders (four prominent MCP politicians killed in 'car accident')
1988	Labour migration to SA stopped (as AIDS crisis emerges)
1989	Margaret Thatcher visits Malawi
1989	Teachers from north sent home by Banda, firing and detention of northerners
1989-90	Various international human rights reports critical of Malawi (Africa Watch, Amnesty International, US State Dept, etc)
1990	President Bush notes that Malawi is a 'reliable partner'
May 1991	Banda's extravagant shopping trip in London broadcast on American TV
1991	American VP visits Malawi
1991	Donor verbal pressure on Malawi's HR situation begins to escalate as post-Cold War ideology emerges. Withdrawal of non-humanitarian assistance (Nordic) begins early in year
Dec 1991	First UDF meeting held secretly, and its pamphlets circulate before and after.
Jan 1992	Tembo proactively engaged in changing Malawi's image abroad.

The Transition to Multipartyism

6 March 1992	Amnesty International report is critical of prison conditions, detention and punishment
8 March 1992	Malawi Catholic Bishops' Pastoral Letter promoting free expression, trust and openness, justice and rights protection, social programmes, higher wages, a more just distribution of wealth and an end to corruption. Bishops were harassed and hundreds of people detained for possessing the letter -- nominally, the 'transition begins'.
March 1992	Exiles in Zambia hold meeting and create AFORD.
March 1992	Polytechnic students march in favour of multipartyism and many are arrested; junior army officers make it clear they will not defend regime against own people

April 1992	Chafukwa Chihana of AFORD returns from Zambia and is arrested. He becomes an Amnesty international prisoner of conscience.
April 1992	Tembo lectured on HR abuses by US Assist. Secty of State Cohen (Tembo denies there are any political prisoners).
May 1992	Chancellor College students' and workers' unrest in favour of multipartyism; 20 protestors killed by police
7 May 1992	President Banda responds to worker unrest with wage increases
11-13 May 1992	Consultative Group meeting in Paris; donors suspend old and new aid
14 May 1992	Low turn out at Kamuzu Day rally
Late June 1992	Low turnout at national single-party election
June-July 1992	Detention Review Tribunal established and 17 political prisoners released
July 1992	Between March and July 1992 some two thousand people detained for multi-party activism; government retains control over media using new laws and threats
Sept 1992	Chihana charged with sedition and for trying to undermine confidence in the government; sentenced to seven years hard labour. Later released
Oct 1992	Orton Chirwa, pre-eminent political prisoner, dies in prison
Oct 1992	Banda announces referendum to decide single-party or multi-party system
31 Dec 1992	Banda announces referendum on multipartyism – date of 15 March 1993
Late 93-early 94	Several civil society meetings to debate new constitution/system of government
Feb 1993	Referendum postponed due to unrest and financial problems
14 June 1993	Referendum held and 63% (nearly 2 m people) vote for multipartyism
June-July 1993	Reform process begins with political parties allowed to form, repeal of dress code, voting age dropped to 18 yr., ban on Jehovah's Witnesses lifted, Life Presidency abolished, and Forfeiture Act repealed.
July-Nov 1993	National Consultative Committee (NCC) and National Executive Committee formed to negotiate and steer the transition and oversee writing of new constitution. Seven political parties join NCC
Sept 1993	NCC decides that Malawi Young Pioneers (MYP) should be disarmed
Oct 1993	Banda goes to South Africa for urgent medical treatment; MCP triumvirate rules. Banda returns to Malawi during Operation <i>Bwezani</i> in December
Nov 1993	Banda's cabinet grows from 19 to 23.
Dec 1993	New Electoral Commission in place, with sub-committees doing media work, civic education, boundary demarcation, and investigating violence
Dec 1993	<i>Operation Bwezani</i> where Army forcibly disarms MYP and its members flee
Jan 1994	Work by NCC sub-committee on a new Constitution begins
Late Feb 1994	New register of voters (18 yr. and over) opens and elections set for 17 May
26 March 1994	Registration closes and campaigning officially opens, violence ensues and observers report 'flagrant abuses of the Electoral Law and Code of Conduct'. Elections run by Justice Msosa/electoral commission with direct financial and technical assistance of UN.

The Muluzi Regime

17 May 1994	Election day: Muluzi wins with 47% of Presidential vote and UDF wins 85, MCP 56 and AFORD 36 of the 177 National Assembly seats
19 May 1994	Banda concedes defeat; public jubilation in the streets
May 1994	Failed attempts made by Muluzi to include AFORD and Chihana in government
Mid-June 1994	Memo of Understanding between AFORD and MCP made public
27 July 1994	AFORD and UDF agree to closer collaboration and a coalition government and form a joint shadow cabinet soon after
Aug 1994	Banda retires from politics and Gwanda Chakuamba becomes leader of MCP
Sept 1994	Constitution amended to add 2 nd Vice President (from non-ruling party): AFORD's Chihana promised 2 nd vice presidency. Four AFORD politicians join cabinet and cabinet reaches 35 members.
Nov 1994	Second vice presidency created by constitutional amendment (later opposed by civil society during Constitutional convention in Feb 1995). Confirmed by parliament (AFORD and UDF majority) in March 1995.

Nov 1994	Chatsika commission of inquiry starts, looking into civil service conditions following labour unrest (started in May 92 and culminating in Oct 94 strike of junior civil servants). Tasked with coming up with appropriate salary structure
1995	Muluzi gives K50,000 'poverty alleviation funds' to each UDF MP, money never accounted for
January 1995	Mwanza murder investigation completed and report given to Muluzi and press. Banda, John Tembo, and several others indicted for conspiracy to murder four politicians in 1983 at Mwanza.
April 1995	General Chigawa, head of the army, who had purportedly been investigating corruption, is murdered under suspicious circumstances. All suspected murderers die (one in custody). Inquest never resolves murder. Perhaps related to Njaloma mutiny soon after; Njaloma later dies in prison (day before his release, he claims he is poisoned, July 1998).
18 May 1995	New Constitution comes into force, with changes (e.g., provision is dropped to allow recall of MPs)
Aug 1995	Special Assistants, rather than PS's approved for use by ministers. (expensive but loyal).
Aug 1995	Formal launch of Poverty Alleviation Programme.
Oct 1995	New sitting of parliament with MCP as sole opposition party. UDF with AFORD starts campaign to gain control of Press companies (via Press Trust Reconstruction Bill)
7 Nov 1995	MCP MPs walk out of parliament (until May 1996) when Press Trust Bill is advanced without 21 day discussion period (against parliamentary standing orders) for a vote; Bill passes and MCP challenges legality of the bill in court (1 July 1996).
Dec 1995	Mwanza trial ends with Banda, Tembo and other acquitted. Government appeals, and this lasts 18 months. Dead witnesses makes it impossible to prove their culpability.
Dec 1995	CG meeting in UK
Dec 1995	Government dissolves local councils (run by old MCP supporters) and promises new local council act.
Dec 1995	By-election in the north (AFORD's traditional area) won by UDF, and UDF-AFORD coalition begins to crumble. Rumours that MCP and AFORD discussions begin again.
Jan 1996	Major political UDF figure and Muluzi business colleague (Kalaria) shot.
March 1996	AFORD moves motion in parliament against UDF Minister Mpasu for corruption (education), a motion withdrawn (April 1997) after the 'rebel' AFORD MP joins government. Mpasu sues <i>Democrat</i> later (early 1997) for defamation (claiming he benefited from the deal with Field York) and wins because no defence was given in court. A corruption case was never taken to court. Press and AFORD claim to have proof of his guilt.
April 1996	President orders minister of information to start a new government newspaper (becomes <i>Weekly News</i>)
May 1996	Boycott ended and MCP returns to parliament
June 1996	2 nd VP Chihana accuses UDF of corruption, nepotism and bribery and UDF says Chihana is 'below par' and ineffectual; AFORD leaves coalition and Chihana loses 2 nd VP job. Five 'rebel' AFORD ministers remain in cabinet. Discussion of MCP and AFORD publicised. When parliament re-opens there are 85 UDF, 54 MCP and 33 AFORD members. Open dispute over the 'rebel ministers' emerges between UDF on the one hand, and AFORD and MCP on the other.
24 June 1996	Beginning of constitutional crisis: UDF accused of 'poaching' to short-cut its effort to gain a parliamentary majority. The speaker refuses to entertain AFORD motion to have AFORD rebels' seats declared vacant because they had 'crossed the floor' (per Sec 65 of Constitution). Court case follows about meaning of Constitutional provision – does declaring self an 'independent' mean an MP has crossed the floor and should lose his/her seat? (Dec) AFORD and MCP MPs walk out of parliament. UDF and AFORD 'rebels' continue to debate and pass

	<p>bills. AFORD asks court to rule that all these bills be overturned. Government cuts off wages and benefits for boycotting MPs (Oct).</p>
1 July 1996	<p>Court (Justice Mwaungulu) rules that Press Trust Reconstruction Act is unconstitutional as there was no quorum in parliament when it was passed in Nov 1995. Government appeals and tries to halt use of Trust funds by MCP trustees.. Justice also upholds parliamentary standing order that was ignored when the Bill was passed. MCP reasserts control of Press Trust board and begins to spend its money (Oct).</p>
Sept 1996	<p>Attempts to get negotiations between parties started, fail. Chihana calls for government of national unity.</p>
Sept 1996	<p>Tembo, Banda and others arrested and then acquitted for conspiracy to murder three UDF politicians. This ruling, the Mwanza trial acquittal and the Press Trust ruling fuels government and UDF antagonism against judiciary. New review of judiciary's terms and conditions considered a threat to judiciary independence; Ministry of Foreign Affairs says judges' rulings 'lack wisdom' (Dec 1996). Pro-UDF judge Hanjahanja sworn-in in Nov.</p>
Sept 1996	<p>Catholics issue Pastoral Letter re. corruption. Minister Mpasu's (education) Field York scandal costs government K36m. Muluzi threatens to arrest anyone making unsubstantiated claims of corruption. Muluzi lists corrupt acts by MCP leaders in past. Electoral Commission's mismanagement and corrupt practices publicised.</p>
Oct 1996	<p>MBC censors AFORD MP's speech about nepotism and corruption in government; denies trade union access to radio to broadcast statement</p>
Oct 1996	<p>Threats on justices' lives announced.</p>
Oct 1996	<p>Eight small opposition parties form short term coalition for dialogue (re. on-gong parliamentary boycott, corruption, buying MPs, violence etc)</p>
Nov 1996	<p>MCP candidate in Ndirande (Blantyre) abducted by UDF; when he re-emerges he joins UDF (related to attempts to get a majority in parliament). Violence during by-elections and rumours of UDF buying opposition MPs' support. AFORD rallies broken up by UDF supporters (into Dec). Ndirandi rally broken up by teargas, Ndirandi by-election postponed, other by-elections meetings violent or poor turn-out (e.g. Rumphi in north). Rumours (Oct) that vendors (youth) paid by UDF.</p>
Nov 1996	<p>Violence (ethnic and party-based) all over country (into Dec). Plot to kill UDF leaders rumoured, with Tembo implicated. Potential MCP president, Lunguzi, dies in car accident; Chakuamba not hurt. VP's car is stoned in north (Dec); Chihana rally broken up (Nov).</p>
Nov 1996	<p>World Bank praises Malawi's 'achievements' especially with regard to lowering interest rates though Commercial Bank says rates likely to stay high. WB expresses concern about government overspending of budget (Dec)</p>
Nov 1996	<p>Chiume (ex-MCP politician) says Muluzi knows something about plot to kill exile leader (Mpakati) in 1980s. Letter to editor says Chiume may know something about Chisiza's death in 1960s. Accusations about politicians' past deeds frequent, but never followed up.</p>
Nov 1996	<p>Government departments' advertisements not being published in independent press (denying them income).</p>
Nov 1996	<p>Group (supposedly in Mozambique) threatens to overthrow government and restore democracy</p>
Dec 1996	<p>Muluzi denies he is trying to Islamise the nation. He in talks about opening relations with several Arab and Muslim states (June 1997).</p>
Dec 1996	<p>Civil service threatens to strike over wages and conditions. (Chatsika report findings).</p>

Dec 1996	Parliament re-opens (9 Dec) without a quorum due to on-going boycott by opposition. Chiefs complain that MPs not in parliament, denying people a voice. Govt upset that donors are interfering in domestic politics (when they express dissatisfaction with speaker's decision to allow parliament to re-open without a quorum). Parliament passes ruling that boycotting parties will lose parliamentary funding.
Dec 1996	Mpinganjira denies he is stealing funds (TEBA) and moving money to UK; major local NGO (CARER) speaks out against corruption with impunity by ministers and officials. US Ambassador says perception that corruption is growing worse and will weaken donor and investor confidence. He notes that Anti-Corruption Bureau is not yet functioning. PAC states that 'Malawi needs parties and politicians that are involved in public life for reasons other than money, or else our government will never address the needs of the people'. Also criticises MBC for its 'blatant partisan bias'.
Jan 1997	DPP lays out Kamuzu Academy case (K137m fraud) against Banda, Tembo etc. British High Court freezes their London bank accounts (Feb).
Jan 1997	Muluzi claims potholes being 'dug deliberately by people with ill intentions', to embarrass the government. Water Board, roads and ESCOM complain about lack of funds to improve services (Feb).
Jan 1997	Secret meeting between MCP and AFORD re. forming united party.
Jan 1997	British and UN trying to get parties to meet to discuss boycott
Jan 1997	France withdraws its embassy from Malawi (till early 2003).
Jan 1997	Supreme Court (Judges L Unyolo, M Mtegha, J Kalaile) overturns Press Trust ruling -- 1995 Press Trust Reconstruction Act valid as there was a quorum when parliament sat initially.
Feb 1997	22 MCP MPs break ranks with boycott, and attend parliamentary budget session (to ensure they receive pay and benefits)
Feb 1997	Justice Mwaungulu complains to Chief Justice that he should not have approached him when he (Muwaungulu) was hearing Mwanza case, to say that government was worried about a pro-MCP judgement.
Feb 1997	Relief funds requested (for floods).
Feb 1997	Home Affairs Minister said that with a population of 12 million, and police force of just over 5000, Malawi has one police officer for every 2000 people, when standard ratio is one to 500. At Vision 2020 workshop: Malawi has lowest telephone density in region. 0.33 lines per 100 persons, one per 300 persons approx. Only 35,000 tele connected from available 70,000 lines. E.g. in Blantyre, 5000 spare lines idle while 5000 people on waiting list.
Feb 1997	IMF goal is inflation rate below 8% at end 1997, GDP growth of 7.6% and overall budget deficit reduction to 9%. IMF calls on govt to redirect focus of agricultural efforts to benefit smallholders and reallocated budgetary resources to social sectors, limit pop growth and improve role of women in economic activities. Dec 1996, IMF approved second Enhances Structural Adjustment Facility worth K330 m aimed at achieving medium term plan
Feb 1997	Supreme court hearing appeal of MP Nseula case – question whether court can review decisions made by speaker. Defence says yes, while speaker office says no, the speaker is privileged. MCP MP Nseula challenging constitutionality of speaker's decision to declare his seat vacant. (Sec 65 of Constitution), as he says he never crossed the floor when declared himself independent and join UDF govt.
Feb 1997	Five politicians (including John Tembo) are tried for conspiracy to murder 6 Malawian bishops and one Irish vicar general during transition. The five suggest

- at an MCP convention in March 1992 that they should be killed. Not guilty verdict later?
- March 1997 AFORD and MCP will not return to parliament (when re-opens in March) until rebel MPs leave cabinet (though 2 MPs return on second day; 17 return by 11 March; 22 by 13 March). MCP and AFORD believe an MP who was voted into parliament on a party ticket should have his/her seat declared vacant after leaving the party so that constituents can decide whether or not they want an independent candidate. (Constitution Section 65). MCP claims (5 March) 'On 1 March the President agreed with recommendations [by MCP] on future appointment of cabinet ministers from opposition party only after consultation and agreement with opposition leaders, and on the legitimacy of boycott of parliament under certain conditions. He rejected three party key recommendations on requesting six ministers to resign as MPs. The president also agreed in principle that the constitution must be amended immediately so that any member of parliament elected on a party ticket who resigns from that party and seeks to be independent, must resign his parliamentary seat and seek a fresh mandate from his constituency. However, President wanted to consult his colleagues first on this point'. Muluzi says he wants opposition back in parliament, . 'I do not want this country to revert to a single party system'.
- March 1997 Clerk of Parliament says that boycotting MPs risk losing their seats if they do not turn up again for the next sitting of parliament in June as the Speaker has constitutional mandate to declare vacant any seat in the House if the occupant is absent for three successive sittings for no apparent reasons.
- March 1997 Case concerning validity of laws passed during boycott (lack of quorum) heard. High Court Judge Wm Hanjahanja rules that the Dec 96 sitting of parliament was not unconstitutional or illegal. He states that the sitting of parliament was constitutional and legal on grounds of the 'doctrine of necessity' and that issue of quorum already settled by Supreme Court. Doctrine allows any laws passed during boycott to become valid. AFORD lawyer says that there is no separation of powers between three branches of govt, as judiciary's decisions leave a lot to be desired, and are biased. MCP says that the country is not in a state of emergency and that the doctrine does not apply. Dr Ntaba of MCP 'expressed concern that parliament was continuing to sit without the opposition parties and a quorum under the doctrine of necessity, which was a violation of the Malawi constitution'.
- March 1997 Civil Servants Trade Union leaders go to Muluzi to check rumours that donors have put pressure on govt to put hold on implementation of salary increases according to Chatsika report. Secretary OPC says government is committed to implementation of report: i.e., a salary increase from April. WB says 'we don't have to run away from the fact that some taxes will have to be increased or new taxes introduced for the government to meet this huge expense. All we want to know is what are these [taxes]'. Should cost government about K1bn per year more. IMF experts reject Chatsika report. Insist that should be 25% wage raise instead of 100%. Cabinet ministers got 300% rise last year, which used most of the MK1.9m wage fund, per trade union. Aleke Banda said the president said that Malawi is a sovereign country and will not always bank on the IMF or WB to implement its projects.
- March 1997 In speech about civil service reform and rationalisation, Aleke Banda says in parliament that fraud and malpractice could be responsible for up to K23.75 m expenditure in month of December 1996 alone.
- March 1997 Civil servants want reduction ministers' allowances and increase in civil servants' wages, rather than retrenchment. They threaten to strike.
- March 1997 Anti-Corruption Bureau starts receiving public complaints.

March 1997	Journalists Association complains about harassment of its members by government
March 1997	Many old PS's changed/removed (part of reform, but also issue of loyalty).
March 1997	Reports that 1999 Election committee set up within UDF, which 'would include the destruction or manipulation of newspapers seen to be against the UDF or its government'. Main target is to control Blantyre Print (which publishes <i>Daily Times</i>).
March 1997	Parliament stops wages, perks and cars for boycotting MPs. (Overturned by court in April). MCP states that boycott continues because UDF is 'buying opposition MPs... with an aim of creating a majority in parliament'.
March 1997	Bomb threat in parliament from 'people's revolutionary front'
March 1997	Catholic Bishops try to mediate an end to parliamentary impasse.
March 1997	Britain's ODA Director General, Barrie Ireton, says that 'we feel Malawi is a place where we can use our aid effectively'.
April 1997	New road authorities act reduces power of roads minister over-spending on roads – Act initiated by donor concern with major corruption in award of road work contracts.
April 1997	Boycotting MPs agree to go back to parliament. Government agrees to look at section 65 of Constitution.
April 1997	Electoral agreement between MCP and AFORD agreed. Chihana confirms (May) that the two parties will merge. Tembo says MCP must resolve issue of party life presidency first (June). Some MCP feel it will breath new life into the party and sideline old guard. Chihana wants to see a strong united opposition, while other AFORD members feel MCP will absorb AFORD.
April 1997	Civil service strike in response to threats by government to implement reforms, attacks on some ministers' cars; police use teargas and pick up union leaders. 'We urge the govt to reduce Cabinet to a sizeable and reasonable number, abolish the post of Personal assistants to the Cabinet Ministers and take away the three-hundred percent salary increase which was awarded to Ministers [and] in that way they will have money they can pay us'. Government warns it may have to reduce its staff of almost 120,000 civil servants by 50% to raise funds for Chatsika salaries should the civil servants insist. Urges them to accept phased implementation. Government will have to raise nearly K1bn to implement Chatsika salaries in full. (15 April airport closes due to strike and army runs airport, and patients moved from public to private hospitals as nurses strike). Split amongst strikers in third week; some return to work (21 April). Police threaten to join strike (May). Muluzi tells Norwegians that there is no violence (in response to formal questions about violence against strikers), but attacks continue, along with arrests of leaders. Teachers join strike (for five days in May). Air crew join strike (19 (May). Negotiations start in 7 th week of strike (20 May) as strike ends.
April 1997	Ndirandi by-election finally held, 12% turnout, AFORD and MCP boycott. One resident: 'I have lost interest and confidence in politicians'
April 1997	New case of fraud and theft of government money (K137m) against Dr. Banda, Tembo et al filed by government. Banda dropped from case due to ill health (May)
April 1997	Muluzi's trip to Iran (for aid) cancelled at American insistence.
April 1997	19 MPs have so far died since 1994, reflecting impact of HIV/AIDS and affecting parliamentary calculus. Need for regular by-elections expensive.
May 1997	Ex-army officers note the political split within army (as President illegally appoints deputy commander). Army commander tells press that coup is imminent.

May 1997	Announcement that recent independent evaluation of cabinet and civil service states that 20 ministries are sufficient for country, ministries should be reduced, core functions should be redefined to avoid duplication/overlap, some government functions should be transferred to private sector. . Muluzi increases cabinet from 32 to 34 at month end.
May 1997	MCP complains to Electoral Commission that UDF and president are using government funds to help candidates in by-elections under label of 'touring development projects'. MCP want equal access to MBC for electioneering, and Electoral Commission upholds their right to equal access if they choose to use it. MCP accuses President of using relief maize to campaign.
May 1997	CG meeting of donors in Paris. Ministry of Finance press release: 'The donor community has encouraged Malawi to do everything possible to improve the democratisation process including the rule of law and the observance of human rights, the management of public finances and service delivery, community participation in economic activities, the management of public finances and service delivery, and the role of private sector and civil society'. Govt urged to intensify its focus on gender issues, plight of children, and persons with disabilities. Donors call govt to broaden privatisation programme to involve infrastructure, telecommunications and power generation. <i>The Nation</i> (15 May) says donors pledge K13.5bn in aid for next three years at CG meeting Paris. Government faces demands re. MBC. WB and Min of Finance separate dispatches -- donors pledge K4.7Bn (US\$319m) in aid for 1997 and about GBP13.5 bn (\$900 m) for next three years. Should .fully meet Malawi's external financial needs, said WB. Donors congratulate Malawi on dialogue re. Parliamentary boycott, showed govt commitment to democracy and cooperation among political parties. But donors want govt to free MBC from state control and extend private sector broadcasting, privatisation programmes to extend to infrastructure, telecommunications and power generation. Also want Malawi to improve its management of finances and delivery of services. Malawi asks donors for financial aid in food security, rationalization of civil service, local govt elections, external debt repayment. Aleke Banda says Malawi has 'achieved macro-economic stability and consolidated the democratic process'.
26 May 1997	Several by-elections held to fill vacant MP seats, without violence. Challenges by parties of results in several constituencies though.
May 1997	DPP announces backlog of more than 900 murder cases, but no trial in more than a year due to lack of funds. A year later 5 homicide cases now being brought to trial by DPPs office daily. Cases heard regularly thereafter.
May 1997	Policy forcing Jehovah Witness students to sing national anthem – this overturned by Ministry of Education, but the students must stand when it is sung.
June 1997	MCP convention rejects AFORD-MCP merger. Chakuamba beats Tembo during leadership vote.
June 1997	Law Commissioner working on MBC (Communications) Act and a new telecommunications law.
June 1997	Police chief complains about 48 hour rule, that says criminals should be released if not charged. Find they are unable to investigate cases so quickly and guilty are being released..
June 1997	Bingu wa Mutharika (fired from Comesa for corruption earlier) denies he will lead MCP in elections in 1999. Claims his removal from Comesa engineered by UDF and false accusations of corruption, to end his political career (his run for presidency).
July 1997	Appeal against Mwanza trial verdict dropped by courts after Banda retires from MCP and public life.
July 1997	MBC Radio 2 launched.

Oct 1997	CHRR asks what K50,000 grant to MPs by Muluzi in 1995 was spent on, and only 20% of MPs would tell CHRR (Jan 1998)
25 Nov 1997	Dr Banda dies and is buried in a specially created Heroes' Acre. Later govt tries to raise funds for special mausoleum.
Jan 1998	Opposition parties meet to talk about merger or electoral agreement for 1999 election
Jan 1998	Army raids <i>Daily Times</i> office for publishing article saying Malawi army has high rate of AIDS/HIV and after defence minister says paper must bear consequences of running the article. His threat followed by Muluzi's threat to take unspecified action for criticising him. Two plain clothes police enter <i>Daily Times</i> and asked assistant editor to release two reporters to accompany them to Fiscal Police HQ for questioning. They had written story 29 Dec 97 that quoted Dr Ntaba of MCP as having said 'it is silly for the president to keep on saying that the opposition is involved in the armed robberies'. One reporter actually taken to police station. USIS and German ambassador speak against arrests. Two days after Muluzi accuses two newspapers of waging a war against him, and institutes a ban on government advertisements (revenue) being sent in <i>Daily Times</i> and <i>Malawi News</i> .
Jan 1998	Police stop Malawi Congress of Trade Union meeting and refuse to give reason
Feb 1998	Press statement by information minister Mpasu said advertisers, including government, having strong qualms about identifying their own products and services with newspapers that are sinking low into indecency. PS Safuli of education (under Minister Mpinganjira) issues an order 5 Feb circular from PS to all university colleges, to stop placing adverts in the two papers. Ca 50% of advertising income from government, so it is important. Law Society says Blantyre Newspapers is free to contest in court the law against the ban because government uses tax payers' money for its functions. WB rep, Robert Liebenenthal said 'all countries world wide are trying to promote free press but that he could not make further comments since the issue was internal'. John Rice, acting Brit High Commissioner said it is a shame that some papers can fold up due to lack of advertisements, [but] the government was free to choose where to advertise. Mpasu press release says government fully supports and respects freedom of expression, specifically press freedom (March 1008).
Feb 1998	Immigration threatens to cut down number of temporary employment permits given to expatriates, to replace them with local employees. Reacting to nationalist pressure from below.
Feb 1998	Minister Agriculture A Banda states government policy 20 th annual food and agriculture regional conference for Africa that decline in agricultural production and rapid pop growth – a reversal would require 'complete political commitment' of African governments. Commitment of farmers to adjust to changing environment and technologies for increased production. Govt believes democracy will not be sustained in Malawi unless its citizens are food secured and free from poverty. Need concerted effort of all sectors of society. Malawi has embarked on programmes for food security and poverty alleviation, small scale irrigation, promotion of soil and water conservation, agriculture input credit, market policy reforms. Food production must grow by 4% to keep up with 3.2% pop growth. Strategies have been devised to increase productivity. Among these, per Banda, are liberalization of production and marketing of crops,. Promotion of agricultural diversification, promotion of irrigation, utilization of organic matter and improving soil and water conservation, improving access to inputs by farmers and proper utilization of land resources. Top priority given to irrigation to mitigate droughts. 'We are confident that the problem of hunger and poverty can be resolved through the development of irrigation'. Food security threatened as unsustainable use of natural resources such as forestry and soils. Promoting enhanced use of organic matter and soil and water conservation practices.
Feb 1998	Discussions between AFORD and MCP re. alliance continue, and they say that recent defections of their MPs are a result of their being bought by UDF, which denies accusation.
Feb 1998	Anti -Corruption bureau is probing 139 corruption related cases from a total of 3100 written reports and complaints it has received since 1 March 1997. Anti-Corruption

Feb 1998	bureau says most complaints re. ministry of education, especially selection secondary students; Traditional Authorities rank second Roads minister Pillane being investigated. UDF vendors from Lilongwe market take three mini-buses armed with knives and pangas, and go to <i>Daily Times</i> office in LL. This a few days after govt ordered that the <i>Daily Times</i> and <i>Malawi News</i> (owned by Blantyre Publishing) be excluded from government advertising. Mpasu says that they will be banned until they change their attitude in their reporting. Reuters asked how long ban will stand 'Until they [Blantyre Newspapers] stop the gutter journalism, govt will not give them adverts' (March 1998).
March 1998	Government opens Central Office of Information to hold press conferences.
March 1998	Would-be assassin writes to government and press (a 29 pp letter) stating that he was hired by tourism minister Mbewe and coordinated by Mpingangira, to kill John Tembo. When got cold feet, another plot hatched to lead to arrest of Tembo on accusation of having hired him to kill Mpinganjira. Mbewe and Aleke Banda, in what was later known as the Kalaria shooting. He confesses to having been involved in Ndirande candidate's abduction, and to having received K100,000 from Mbewe in K400,000 assassination assignment of Tembo.
March 1998	Court battle over Banda's will starts, between Tembo/Kadzamira and Banda's family. At stake is control of Blantyre Publishing and other companies and properties.
March 1998	Draft Communications Act is written, but not widely seen.
March 1998	Government says it will produce photo ID cards to be used for registration in 1999 election
March 1998	Cabinet reshuffled, and numbers dropped from 38 to 32
April 1998	Dr Ntaba, MCP, states "Unless Muluzi stops saying silly remarks on the national radio we are going to expose a scandal he did with Leyland Motors".
April 1998	Bishops Lenten letter comments on attacks on free press by UDF. 'We are concerned that there is a monopoly of public means of mass communication, especially the Radio. We need a sound, independent and responsible Press. We need to encourage, financially support and promote this kinds of Press and not to suppress it'
April 1998	Complaint aired that constitution provision requiring president and cabinet to declare assets has loopholes which allow abuse of public office for personal gains; no punishment outlined, no mechanism for follow up checks on assets, no proper procedure for declaring assets, declaration reports not easily accessible to public. These loopholes make it difficult to enforce, says clerk of parliament. Law being written in mid-2003.
April 1998	Some Chiefs state they want clause in constitution to be amended so that people can recall MPs who don't serve their interests (removed in 1995).
April 1998	<i>The Nation</i> writes story about award of sugar trade contracts to prominent people and politicians, and owner of paper (Aleke Banda) is castigated by cabinet colleagues. Author (head of consumers' association) is accused by Mpasu of trying to 'topple the government' and to help the MCP 'wrest power through undemocratic means' (Jan 99).
April 1998	MCP's Ntaba states publicly 'People like Mpasu who got away with the Fieldyork... scandal are now trying to get involved with the national radio which operate[s] on tax payers money....We are ruled by a silly and brainless man who has run out of ideas. Whatever happens something has to be done at the national radio as there is nobody above the law'.)
April 1998	Education minister Mpinganjira suspends a teacher believed to have joked about the face of Muluzi on the 20 Tambala coin to his class. This under judicial review at high court, which finds for teacher in Jan 99.
April 1998	Parliamentary clerk says date of 1999 election uncertain EU expresses concern with delay in preparation for election, and with delay in presenting legislation to parliament – Local govt elections bill, communications bills, law and human rights commission bill, etc. Government says these will be passed at next session.

May 1998	Journalist association states there is no press freedom in Malawi, that the situation has become worse in last 6 months, and that aggression and harassment of the media are increasing.
May 1998	Ntaba charged with calling the President ‘silly’ in Dec 1997. He is charged under section 4 of Protected flag emblem and names (CAP) 1803 of Laws of Malawi. Hearing starts 25 May. DPP to bring 6 witnesses. Case later dropped by government.
May 1998	Report produced on cross border trade (2 years: Jan 95 to Dec 96. Malawi exports non agricultural commodities to Zambia worth \$2 m, while agricultural commodities were worth US\$732,000 in same two year period. These exported goods from Malawi included, maize, potatoes and beans. Malawi imported large quantities of fertilisers and second hand clothes, valued at \$17.2 m. Trade balance in favour of Zambia. In 1996 formal export trade estimated at \$0.83 m and import trade at \$1.76 m. Malawi and Mozambique: Malawi exported total of US \$3.8 m worth, and imported US \$13 m worth mainly in food over the two years. Formal export trade estimated at \$36.2 m in 1996 and \$20.1 m in imports. Informal cross border trade with Tanzania: Malawi exports value \$11.2 m and imports \$10.8 m, mostly used clothes, electrical appliances and kitchenware. The value of formal trade with neighbours was 64% of total informal trade. Therefore must reform tariff and non tariff barriers and reduce excessive bureaucratic nature of formal trading. Estimated losses to Malawi tax revenue of \$19 m. Need reduction tariffs, rationalisation of registration requirements for formal trading, reduction or elimination of non tariff barriers. Cross border trade in food should be encouraged, especially as Malawi is food deficit. Malawi should be able to cover its annual food deficit which ranges between 250,000-500,000 metric tonnes, without diverting scarce national resources to importing these from outside the region at high prices. Need a common food strategy policy
May 1998	Opposition parties meeting again about electoral alliance – including shared presidential and vice presidential candidates, but AFORD refuses Tembo.
Mid-1998	Muluzi warns civil service it should support the ruling party.
May 1998	100 angry business people who supply Central Government Stores in Blantyre besieged controller’s office demanding payment of K98 m that is owned to them.
June 1998	VP Malewezi, back after three months kidney treatment, says he will run for VP next year (he later has kidney replacement); some UDF upset because want to select candidates for 1999. Want convention but no interest shown by leadership.
June 1998	President dissolves Electoral Commission, dissolution seen as unconstitutional (it should have remained in power till Dec 98). He appoints new commission in July, headed by Justice Hanjahanja (of ‘doctrine of necessity’ fame).
June 1998	Petroleum Supply commission accounts frozen by Ministry Finance, audit and investigation follows. Case continues in 2003 though prime suspects (senior ministers in government) never brought to trial.
June 1998	Minister of information Mpasu closes GTZ Democracy programme’s <i>Take Part</i> human rights bulletin. Says it is a newspaper, which cannot be run by foreigners.
June 1998	ACB asked to investigate corruption within roads department
June 1998	Parliament passes Human Rights Commission Bill
June 1998	Technical review of constitution started
July 1998	Claims resurface that MYP are hiding (and are armed) in Mozambique, dismissed by Mozambique government. (Part of disinformation campaign run by UDF as part of 1999 election).
July 1998	Chiefs call for stronger censorship (vs. pornography)
July 1998	Parliament asks for audited accounts of parties, which have received money, and none forthcoming and it stops paying money to parties.
July 1998	Donors sceptical about success of Vision 2020 because Malawi government and people have not yet shown strong commitment to programme, per Terry Jones at

	UNDP. 'He cited the Poverty Alleviation Programme as an example of a programme that is not working effectively despite its huge committee of 60 members comprising chiefs, politicians and other stakeholders' Jones (Aug 98) urges parliament to pass communications bill urgently.
July 1998	Students protest hike in university fees, police want back pay. Government hospitals have run out of stock of strong pain killers and are carrying out operations with few ampules of morphine. LCH has run out of analgesics like pethidine; patients told to bring in their own medicines. Pharmacists says that they have some drugs, like panadol. Police break up nursing college student demonstration (against hike in fees) with violence. Chancellor College students strike over fees. (Aug). Prices rising due to inflation and devaluation, shortfall of maize. Major fiscal crisis underway.
July 1998	High powered donor delegation goes to see minister of Home affairs, to complain about crime after murder of German doctor, previous week. Need increase police patrols in all crime areas. Crime is worse throughout country, with small arms, vigilantism, armed robberies, car-jackings, etc.
July 1998	UDF march to Kachebere on border with Zambia and seal off doors of largest CCAP church in that area, on grounds that it had stopped worshipping God and is now concentrating on 'politics of disunity'.
July 1998	Reported that Muluzi had meeting with all UDF governors where he told them to file names of people who are going to stand as MPs next year and present them asap. They should not expect all names submitted to be automatically qualified to stand. He is going to have the final say, he said. UDF decides not to hold a convention (Aug) – none since 1993. Will hold primary elections for UDF candidates.
Aug 1998	MCP and AFORD still discussing election coalition or merger, though Tembo opposed. Rift in MCP emerging.
Aug 1998	Muluzi asks for donor support for fertilizer packs. Starter Pack announced late Aug.
Aug 1998	Ombudsman audited and told to repay overpayments and misused funds
Aug 1998	National Consultative Group, collecting civil society organisations, formed to promote political dialogue.
Aug 1998	First non-religious, private radio station opens (owned by son of UDF minister). Women run community radio station in Mangochi. (Second private, non-religious radio station, owned by Presidential press secretary, opens in Jan 1999. MIJ radio opens later.)
Aug 1998	CCAP Livingstonia writes letter to Muluzi asking him to address issues affecting lives of ordinary Malawians, e.g. Land allocation, parliamentary debates, political language and privatisation. Parliament should not become a rubber stamp for govt and calls on MPs to be tolerant of each other.
Aug 1998	Malawi's 15 th political party is formed.
Aug 1998	Donors bail out Malawi, with K5bn (\$115m). WB to support budget hit by recent 60% devaluation. Chilumpha says (Sept) government devalued Kwacha because no donor willing to meet US\$80m shortfall in tobacco earnings this year. K5bn given to Malawi by IMF and WB after his two week visit to Washington DC. Fuel crisis looms.
Sept 1998	Fifteen soldiers arrested for 'breach of discipline', 'not a coup plot'. Muluzi's trips and public rallies cancelled.
Sept 1998	Presidential Land Commission report being finalised and sent to president. New Land Law written in early 2003; reports that the land policy is changed in cabinet.

	Complaints between 1998 and 2002 about recommendation that foreigners banned from owning land.
Sept 1998	Government trying to close radical opposition paper that says it has taped conversations of senior UDF officials hiring assassins to kill Tembo in 1996. Paper banned.
Sept 1998	Danish government donates glass ballot boxes for 1999 elections.
Sept 1998	Libyan delegation visits Lilongwe
Sept 1998	Editor arrested for publishing false news when reported that bombs found in Lilongwe
Oct 1998	Census taken; strikes by census takers over wages
Oct 1998	Admarc accused by IMF of undermining government commitment to strict fiscal policy, has confirmed it made illegal sales of govt maize from SGR. Assumed he would replace it later. Sold it to the consumers. Admarc to hand over 40000 tonnes from SGR. IMF, disturbed by budgetary implications of sale, called for audit and recommend that SGR management be privatised within 2 weeks. Needs to have efficient operations, especially for rural areas. Chikaonda said ADMARC should have agreed with government how much to sell and the price. If don't sell at right price, it means a deficit in the budget.
Oct-Nov 1998	UDF thugs escalate attacks on MCP and AFORD. E.g., UDF demolish MCP offices – Mchinji, Dedza, Ntcheu, Kasungu were main targets, and these vandalised within days of Muluzi's visit to each area. 150 UDF invade parliament and rough up Dedza North West MP F Kangaude
Dec 1998	Consultative Group Meeting, Lilongwe. Donors pledge US\$1.3 bn 1998-2000. Reported that conditionality of donors is that civil service and cabinet trimmed. Donors say that country's transport higher than other landlocked countries because government has not opened up transport sector. CG says transport costs must be reduced. Must become competitive, but 'it won't come if cartels or excessive regulation are allowed to operate'. Roger Moore of EU takes lead. Lack of competition was at least part of the explanation, but a thorough analysis is needed. MASAF II takes off, with K2.7 bn fund. Centre piece of Poverty Alleviate Programme. WB will approve K4.05bn (\$92m) loan to support reform, IDA loan. Supports fiscal restructuring and deregulation, tech assistance. Opposition upset that government excluded it from CG meeting. Police break up NGO demonstration with teargas. NGOs want access to donor delegation to discuss issues.
Dec 1998	MBC starts firing people who went on strike and others whose politics are suspect.
Dec 1998	Stories begin to emerge about unfair distribution of Starter Packs.
Dec 1998	Press reports there are 200 lawyers in Malawi, half in active practice.
Dec 1998	UDF thugs raid <i>Daily Times</i> office.
Dec 1998	Head of Malawi Investment Promotion Authority states that Malawi is third from bottom as investment destination in Africa. It ranked 20 of 23 on World Economic Forum/Harvard Africa Competitiveness Report. 38% corporate tax. It is not incentives that matter, but most investors shun Malawi because it does not have adequate and reliable utilities, has high transport costs, inconsistent in policies on expatriate permits. Malawi is only better than war-torn Angola in SADC. Companies want to repatriate profits, dividends and capital; stable macro econ environment, efficient polices that allow employment of labour; efficient and reliable telecom, electricity and water supply; competitive and efficient services demanded by companies such as accounting firms, transport and legal services. In absence of these, no incentives will work.
Dec 1998	CONGOMA, NGO consortium, insolvent, but new financial support from donors.
Dec 1998	Government has paid to High Court to hold, K10+m which is owed to opposition parties represented in parliament (K6.2m to MCP and K4.7m owed to AFORD). Government is appealing decision. The money is amount that the two parties should have received during time they boycotted parliament in 1996-97.
Dec 1998	MCP local leaders attacked by UDF thugs. Muluzi states 'after all, this is a democratic era where peaceful elections are expected. Those who are being violent should stop forthwith'.

Dec 1998	UDF disinformation committee begins to receive cell phones, fax machines and cars. Using government resources to run their new newspapers. Their disinformation campaign starts soon after (Jan) with story about armed youth being supported in Mozambique by Tembo. Campaign (writing untrue stories to support UDF and discredit opposition) continues until 1999 election. Begin to refer the President as Dr. Muluzi. President begins warning parties proposing war that they will be dealt with.
Dec 1998	Sam Mpasu, minister of information, accuses US govt of funding Malawi Congress of Trade Unions. 'We know how the CIA front organisation, the African/American Labour Centre in Zimbabwe, is funding you and using you for their own political agenda' in letter to MCTU Secretary General. US government does not to comment publicly.
Dec 1998	Local government act is assented to, but too late to hold local council elections with MP and Presidential elections. It's the basis of government's decentralisation and local council policy.
Jan 1999	Roads minister Pillane dropped from cabinet, and indicted for corruption soon after.
Jan 1999	Electoral Commission begins to prepare for election, with new constituency boundaries, writing codes of conduct, etc. It notes there are 15 registered political parties now. The original budget to donors was K700m but donors provided K300m, and government, K163m. Violence characterises campaign. PAC tries to mediate. MBC says it is not covering opposition candidates/rallies due to transport problems. Civil society starts training civic education trainers/monitors.
Jan 1999	EC proposes 40 new constituencies/PMP seats in south (UDF stronghold), 17 in centre MCP) and 13 in north (AFORD), giving rise to questions of its independence and methods of selecting areas for seats. Chair of EC, Hanjahanja says that demarcation exercise 'was conducted [by EC] without any undue influence or interference by any other person, party'. Unconfirmed reports that donors threaten to withdraw funding if this goes ahead; European Parliament debates whether it can fund undemocratic election (Feb 1999). UDF MP says that Malawi is an independent state and should be left to manage its affairs without foreign interference (4 Feb). Proposal shelved in early Feb. Parliament passes law in early March to re-demarcate 16 constituencies (11 in south and 5 in centre).
Jan 1999	Malawi Congress of Trade Unions states that UDF has 'grossly victimising workers during past five years'.
Jan 1999	Talks continue between MCP and AFORD re. electoral alliance (e.g., agreeing to run one presidential candidate). Government says neither Chakuamba of MCP nor Chihana of AFORD can run (due to law that says ex-convict cannot run within 7 years of being in prison), but this is later withdrawn. Tembo opposes pact until March.
26 Jan 1999	MCP convention: Chakuamba elected by MCP to run for president (430 vs 199 votes for Tembo), first VP to Tembo (330 votes to Ntaba's 293).
Jan 1999	Census reports 9.85m Malawians, not 11-12m as previously assumed.
Jan 1999	Only 16% pass rate for MSCE exams.
Jan-March 1999	Registration starting date has to be extended because importation of equipment (mostly related to photo ID) is delayed. Postponement of dates of registration raises constitutional issue (there must be 21 days between closing registration and polls to allow for inspection of voters' roll). By early March the issue of the date of registration and election is causing major controversy.
Feb 1999	Muluzi meets Gaddafi again (also in 1998). Reports that Muluzi is given money for the campaign.

- Feb 1999 Constitutional review committee makes recommendations – Civil servants who want to contest elections will have to resign from posts as required by Constitution, then they can run for MP. Wants to change quorum from two-thirds to one-half of parliament to avoid problems like the one which arose when house debated Press Trust Reconstruction Bill. Want to ‘avoid instances where if parties walk out of parliament, the others will be unable to continue working’. Cabinet ministers should not be considered public officers. Therefore incumbent ministers can be nominated as MPs even if parliament is not dissolved before election. Also tackles issue of speaker declaring vacant seats of MPs presumed to have crossed the floor (Section 65). Recommends that any MP leaving his party will force speaker to declare seat vacant. That is, an attempt to stop MPs from crossing the floor, being ‘bought’ by another party.
- Feb 1999 Reports that government moves pro-AFORD/pro-UDF civil servants, army, police out of northern region after pro-government politician asks its to ‘rid our constituency and zone of stumbling blocks’.
- March 1999 Constituency elections held by UDF and 18 MPs not returned as candidates, including some senior people. Some protests and violence vs. rigging of UDF elections.
- March 1999 Censorship under review as some people ‘fed up with excessive freedoms’.
- March 1999 NGOs trying to get EC to organise prisoners’ voting as they have constitutional right (it turns out that during May 1999 election they do not vote).
- March 1999 Reports that both Aleke Banda and Brown Mpinganjira want to be VP running mate in UDF.
- March 1999 President assents to new Communications Act (setting up communications authority – MACRA – and overseeing operation of broadcasting etc).
- March 1999 News reports that Malawi’s life expectancy put at 51.1 yr last year has dropped to 36.6 yr due to AIDS, per US Bureau of the Census. Expected to drop a further 1.8 yr by 2010. Reducing pop growth rate from 2.2 to 0.7%. Child mortality expected to rise from 190.3 to 231.6/1000.
- March 1999 Police report that vigilantism is on the increase: 39 people victims between Sept and Dec 98.
- March 1999 Court rules that ministers can be MPs. Justice Mwaungulu had ruled in 1997 that MP Nseula lost his seat in when appointed deputy min of finance. On other hand, overwhelming evidence that Nseula had crossed the floor from one party to another and therefore court affirms the finding of the lower court that he should be dismissed/losses his seat.
- 16 March 1999 Voter registration starts. Four non-governmental organizations (Midea, Carer, CHRR, Catholic Centre Justice/Peace) call for polling and registration dates to be postponed due to inadequate voter education. ‘Some of the materials that are needed for voter registration are not yet ready.... It is not know whether all the registration officials have been trained’. Also people need for info re. the process and therefore more time needed. Chief Election officer says only 1000 of the country’s 3687 centres would open today, because that it number of cameras ready (to produce photo IDs). NGOs state that government should extend date to election if want them to be free and fair. Need emergency partly to review constitution and change date. Also noted that ‘it is an anomaly on the part of the Commission to start registration when in fact the registration centres were not gazetted four weeks before the start f the exercise as is required by law. All this may affect the legitimacy of the elected government’. EC says it cannot be dictated to by anyone as it is an independent body, and ‘everything is in line with the plans of the commission’. On 23 March EC notes that only 2m of 5 m

- registration forms and one thousand of three thousand cameras in country and that fewer are in north. It blames UNDP slow payment. Election scheduled for 25 May.
- March 1999 Parties complains that they haven't enough money to run election as funds from parliament held up by court case; Electoral Commission refuses to comment or intervene. MCP and AFORD accuse supreme court of conniving with UDF to delay judgement on party funding case to cripple their campaign. Judiciary says ruling will be soon. Parties presented audit reports to government as demanded by parliament some months ago. UDF connived with judiciary to delay ruling. 'They have no right whatsoever to hang on to the funds. They just want to cripple the campaign. But they should know that competition breeds a vibrant society' (per Aford Secty Gen). On 25 March: High Court orders state to pay MCP K6,190,000 accumulated by party before, during and after MCP boycotted in 1997. Court upheld earlier ruling (25 Aug) that parliament resolution (6 March 97), which suspended salaries for boycotting MPs and state funding for their political parties, was illegal and unconstitutional
- March 1999 Electoral Commission rules that Chakuamba and Chihana cannot team up as Pres and VP running mates. Hanjahanja says the EC decides that the two party leaders cannot have different symbols printed on a common ballot paper because the law does not allow it. (Dissent within EC on verdict does not emerge till later). The constitution and acts subject to it did not intend that the President and VP should be sponsored by different parties using different symbols. Muluzi advises Chakuamba and Chihana to look into issue of choosing one party colour or symbol to use in the elections. MCP want Hanjahanja removed from EC. His decision comes after Muluzi says that MCF should not be surprised when EC informs them that their running together with Chihana is unconstitutional. 'The statement by the president ... confirmed our fears that [EC] chairman maintains direct and daily contacts with the president from whom he receives instructions'. Law Society disputes EC ruling that they cannot run together. This ruling is withdrawn in May.
- End March 1999 Questions about independence and competence of EC escalate. Opposition complains but says it will not boycott elections. Complaints state that there is no 'level playing field' and that the EC is not monitoring MBC, which is biased.
- March 1999 20th political party formed.
- April 1999 Malawi TV opens (after many delays, reports of corrupt practices, changing investors). TVM is used, like MBC, to promote only President and UDF candidates in election (and thereafter).
- April 1999 Government announces that civil service will have a two week 'break' . Reports that University will close due to lack of funds.
- April 1999 NGOs ask that elections be suspended due to irregularities.
- April 1999 Supreme Court upheld high court ruling that AFORD MPs ('rebels') did not cross floor when appointed to cabinet or remained in government after collapse of AFORD UDF Coalition in 1996-7. Constitution does not oblige president to make any consultation for appointment of cabinet. According to Section 65, MPs shall not have their seats declared vacant because vote in contradiction to recommendation of their party. Therefore those who stayed in cabinet exercised their constitutional right not to be bound by decisions of their party to withdraw from cabinet. They made a free political choice
- April 1999 Opposition asks court to stop acceptance of nomination papers by EC, but court refuses. Parties state that process is fraught with overwhelming evidence of

	irregularities that will not lead to fair polls on 25 May. Hanjahanja tells opposition to stop levelling unjustified accusations against EC with intention to discredit its activities. There are some teething problems, but process is now more sophisticated. Government notes that the clamour for Hanjahanja resignation is a 'sinister opposition plot to derail the electoral process and breed chaos in the country'. Mid-April MCP/AFORD ask high court to suspect registration and restart the process. It is fraught with over whelming evidence of irregularities and differential treatment as not to lead to a free and fair election. High court grants injunction and three days later dissolved by different judge. By 7 April only one-third of voters had registered. Some registration offices' strike for unpaid wages.
May 1999	Hanjahanja resigns as head of EC 13 May and replaced by Justice Kalaile. Registration is extended and election day is changed by parliament (on 21 May), from 25 May to 15 June to satisfy constitutional provision (21 day gap between registration closing and polling day).
15-16 June 1999	Re-election of Muluzi. (Polling extended to 16 June in some areas due to lack of materials on first day) . Elections declared 'free and unfair' because numerous problems observed. Unrest (burning of mosques, riots, for nearly 2 weeks) follows announcement of results in north especially, and later in Blantyre outside courts. Journalists arrested for reporting that crowd chants to army 'take over, take over'. Case later dropped. Journalists at MBC who are considered disloyal to UDF are fired after the election. Case goes to Ombudsman (still being heard in 2003).
June 1999	Chakuamba files suit arguing that since there were 5,071,822 registered voters in the elections, by polling 2,442,685 votes, Muluzi failed to get more than 50% of registered voters as required by the constitution. (He received 51.37% of votes cast). Chakuamba polled 2,109,790. Also, that there was massive irregularities before and during the elections. EC declares results are final regardless of what the court rules. In Aug Attorney General Fachi says 'Muluzi may even become life president regardless of what the courts rule'. Case dismissed May 2000 and Chakuamba appeals ruling. Parliamentary results: 93 UDF, 66 MCP, 29 AFORD, 4 Independent (who join UDF). 'Purge' and 'ethnic cleansing' of Muslims in northern Malawi continues into July.
Mid-1999	National Food Reserve Agency created, strategic grain reserve to be managed by NFRA not ADMARC, and grain bought from SA.
July 1999	Muluzi appoints 30 person cabinet, down from 36 before election.
July 1999	Election court case starts
June 1999	Malawi will go to G8 summit in June to ask them to write off K2.3 bn debt.
Dec 1999	Election court case being heard. Inspection of materials and ballots permitted by court.
Jan 2000	Leadership struggle in MCP emerges
May 2000	Chakuamba loses election court case.
June 2000	Govt advised by donors to sell excess SGR maize to pay loans (a debt burden).
June 2000	Chakuamba suspended from parliament for one year after the president comes to parliament and he refuses to attend, and Tembo is appointed by speaker Mpasu as leader of the opposition in parliament (Tembo alliance with Muluzi and split in MCP evident).
Aug 2000	Journalist threatened by gang who attacks his house
Aug 2000	Two rival MCP conventions held and two presidents elected (Chakuamba and Tembo). Court rules they are invalid (June 2001) and that the situation is as before the conventions, that is, Chakuamba is MCP president. He continually tries (for next year) to halt Tembo from taking party funds from parliament, claiming and acting as president of the MCP. But Chakuamba still suspended from parliament and this weakens him.

Sept 2000	Parliament subcommittee reports that funds (soon est. at K190m) were stolen from Ministry of Education, part of which were used during election campaign by UDF candidates. Feb 2001, Minister Chilumpha charged with three offences of corruption. DPP does not give ACB permission to take the accused to court, though permission given for 17 others (June 2001). Attempt by ACB to rewrite the Corrupt Practices Act, to remove control of DPP over its prosecutions, follows (2002-03).
Oct 2000	Questions raised in British Parliament about whether aid was used by GOM to buy 33 Mercedes Benz for cabinet ministers. These are parked and government tries to sell them. It cannot, and uses them for special functions. Originally cost K127m.
Nov 2000	Local Council elections, low turnout. UDF wins 610 of 860 wards. No opposition runs in 120 wards. Opposition claims elections not free and fair.
Dec 2000	Minister Mpinganjira leaves cabinet and UDF over Muluzi's decision to retain control of the party and run for a third term. Discussions between MCP's Chakuamba and Mpinganjira reported. Mpinganjira forms NDA (National Democratic Alliance)
Jan 2001	NDA rally broken up near Blantyre by police using teargas
Jan 2001	President assents to constitutional amendment abolishing the senate/upper house.
Jan 2001	EC talks about re-demarcating constituencies in run up to 2004 election
March 2001	Several men arrested for planning a coup. (Later linked to Mpinganjira) Case dropped in March 2002.
March 2001	Maize crop results indicate shortfall of staple food due to erratic rains. Maize output in 2000-01 (at 1.713m mt.) was similar to 1998, and higher than 8 of ten previous years. Thus, the shortfall should have been manageable. ADMARC had sold grain in store (late 2000) some to political favourites, who hoard it, without notifying NFRA, which sells its grain to pay bank loans. Later when government tries to buy grain it is unavailable and expensive. Hunger imminent and 300% increase in maize prices by end of year. Government sets prices and installs ADMARC as only seller of maize in Dec.
April 2001	CCAP pastoral letter expresses concerns about trends undermining democracy; PAC expresses similar concerns in May
April 2001	MCP MPs are given orders in parliament by Tembo, want permission from Chakuamba, but Speaker Mpasu says they cannot defy their leader in parliament. Tembo changes shadow cabinet in June. Chakuamba being sidelined.
April 2001	Mpinganjira publicly claims Muluzi is corrupt and provides examples.
May 2001	Opposition parties and civil society says Vision 2020 unlikely to be achieved
May 2001	Lawyer Vera Chirwa says Malawi has not filed any reports with African Commission of Human Rights and advises them to do so
May 2001	National Bank warns government it hasn't the money to hold SADC ministers summit in Aug (est K300m) Government appeals to donors and private sector to help. (interest rates about 65% and inflation at 30%)
May 2001	Public demonstration against government's non-completion of road in north ends with three people shot by police and two MPs arrested, one child dead. One thousand riot police sent to the north. Question of how road funds had been used.
May 2001	Mpinganjira trial on corruption charges (when minister of education) fails.
May 2001	Attempts by government to limit powers of Ombudsman start in earnest.
May-July 2001	Corruption in ministries of lands, agriculture (starter packs), and health, in customs department, and at ADMARC reported. Bribery reported in Lilongwe City Council.
June 2001	Malawi Revenue Authority threaten to close MBC for failure to pay taxes, but government declares it's an 'important national entity whose operation need not be disturbed for whatever reason'. MRA staff get death threats if pursue MBC case.
June 2001	Attacks on NDA members at parliament
19 June 2001	Parliament passes amendment to Sec 65 of Constitution, which bars 'crossing the floor' – that is, the speaker shall declare vacant the seat of any MP who has joined any other political party or association or organisation whose objectives or activities are political in nature. Vote is 131 yes (most from UDF and Tembo's faction of MCP), 39 against. Needed 2/3 majority (Constitutional amendment) of 192 MPs. Law Society (Nov) says the law is unconstitutional. Target is an NDA/MCP/AFORD alliance.

June 2001	Alliance between Tembo faction of MCP and UDF is rumoured but denied by Tembo. Meanwhile Chakuamba of MCP and Mpinganjira of NDA working together.
June 2001	A split within the Muslim community is revealed, a split widened by the NDA-UDF feud. Attacks by UDF youth on Muslims and NDA politicians at parliament are ignored by police.
July 2001	Arrests without warrants of vagrants and suspected criminals by police (similar to several other similar operations since 1994).
July 2001	Parliament notes it has not seen accounts of three parties since funding suspended three years before (K15m/party the same since 1994 and feel it should be increased).
July 2001	Government fails to table the bill on reducing quorum from 2/3 to 1/2 of parliament and to reduce powers of Ombudsman before parliament rises.
July 2001	Case starts to stop speaker from expelling from parliament Ntaba and Chakuamba (MCP) for associating with AFORD (in violation of newly amended Section 65). Chihana, VP of the Aford/MCP Alliance, says to Speaker Mpasu, 'fire me too'. Questions about constitutionality of the amendment barring free association. Mpasu rescinds decision because the amendment had not been gazetted when he made the ruling. The Aford/MCP alliance exists since before the 1999 election, and is opposed by the Tembo faction of the MCP. Chakuamba tries to kick Tembo out of MCP. Use of law by speaker linked to Tembo/Muluzi vs Chakuamba/Mpinganjira struggle.
July 2001	SA and Malawi meet to discuss government's claims that some opposition leaders (Chakuamba, Mpinganjira, Chihana) had gone to SA to meet ANC officials and <i>matsotsi</i> with the intention of destabilising Malawi.
Mid-2001	Minister of information and five staff benefit from sell-off of Malawi telecomms, and arrests follow, though men released by Justice Hanjahanja because 'simple theft' did not warrant their being locked up. Minister never arrested. The ACB complained that such rulings undermine the integrity and erodes the public's confidence in the judiciary.
Aug 2001	UDF claims Mpinganjira was in charge of 1999 election vote rigging.
Aug 2001	Court instructs parliament to withhold funding from AFORD that is due to creditors, and amount due to bank by MCP.
Aug 2001	Parallel MCP rallies and conventions held.
Aug 2001	Court orders speaker Mpasu to allow Chakuamba to return to parliament. (Speaker previously argues that he is exempt from court orders).
Aug 2001	SADC meeting in Blantyre; Muluzi become leader of SADC. Police sweep street free of 'thugs' and criminals. Independent newspaper reporters are beaten and harassed, and emails from independent newspaper reprinted in government press (indicating government tapping of email network). Attempt by UDF to halt all criticism of government during SADC meeting.
Sept 2001	Mafunde political party formed. Malawi's 22 nd political party is based in Blantyre but with links nationwide. Dec 2002 PETRA (in the south) and PPM (based at the university) later, start organising. Mpinganjira's NDA tries to register, but finds pro-UDF group has already registered the name 'NDA' (Feb 2003). UDF and NDA youth clash around country (late 2001)
Sept 2001	Government threatens to ban NDA for inciting violence, and wants it to transform itself into a political party
Sept 2001	Chilumpha appointed head of Blantyre Print (<i>Daily Times</i> and <i>Malawi News</i>) by President. Chilumpha selected as UDF VP candidate by Muluzi in 2003.
Oct 2001	Mpinganjira and others imprisoned for planning a coup, soon released on bail.
Nov 2001	Reports that Muluzi, Tembo and Chihana meet in secret talks about government of national unity, denied by government.
Nov 2001	Parliament asks Muluzi to remove four judges, accusing them of favouring the opposition, of incompetence and misbehaviour, as opposition MPs walk out of parliament. Judges petition Muluzi not to do it, as unconstitutional and undermines judicial independence.
Dec 2001	National AIDS Commission says 70,000 people dying annually.
Dec 2001	NGOs ask government to dissolve National intelligence bureau (NIB), begun last year by Office of President and Cabinet. K94m set aside for its budget.

Dec 2001	University riots, 50 arrested and one killed by police.
Dec 2001	Judicial Service Commission start inquiry into allegations of misconduct and incompetence of Justices Chimasula Phiri and Mwaungulu (other cases dropped). (Complaints linked to Phiri's release of Mpinganjira on bail and Mwaungulu's analysis of 1999 elections on Nyasanet website.) Muluzi decides (May 2002) not to remove them. Threat to independence of judiciary is evident.
Dec 2001	Cases brought against Mpinganjira for murder (of UDF functionary in 1998)
Dec 2001	Muluzi joins US in its fight against terrorism.
Late 2001	Civil society creates 'forum for the defence of the constitution' in response to third term attempt by Muluzi.
Late 2001	Balance of payment support suspended by major bilateral donors and IMF.
Jan-Feb 2002	Estimated 1000 people die of starvation.
Jan 2002	Danish government withdraws mission and aid as a result of GOM corruption and political intolerance.
Feb 2002	Muluzi denies there is starvation in country, later declares state of emergency and asks for humanitarian aid. Situation grows worse due to poor harvest in early 2002. Problem only relieved in mid-2003.
April 2002	Task force reportedly set up within UDF to raise funds (and to approach Libyans) to raise public support for third term for Muluzi.
April 2002	Churches accused of helping NDA, which they deny
April 2002	Government having trouble finding funds to hold parliamentary session
April 2002	Muluzi denies ever having spoken of a government of national unity with AFORD. AFORD says that it opposes third term. Meanwhile, Chihana asks opposition 'to respect' Muluzi and says he and the President are devising projects together.
May 2002	Mpinganjira suggests constitutional conference to discuss third term bill, refused by Muluzi. Malewezi, Aleke Banda and Mpasu silent on 3 rd term. Later it emerges that they are opposed. Muluzi is accused of 'buying chiefs' to support third term bill.
May 2002	Chihana and some AFORD speaking openly about government of national unity with UDF
June 2002	Muluzi bans demonstrations about third term bid and when court places injunction on the decree in response to NGOs, he says that Justice Mwaungulu's ruling is irresponsible and highly insensitive.
June 2002	Muluzi denies Mpinganjira's claims that Gaddafi have given Muluzi K170m to Islamise the country. Letters purported to be between Gaddafi and Muluzi are said to be forgeries. Muslim Association says it supports third term
June 2002	Split in AFORD as Chihana suspends secretary general and publicity secretary.
June 2002	Chakuamba wants Tembo to account for K6m he received for party. MCP is K15m in debt.
June 2002	MACRA claims Malawi Institution of Journalism's radio news is biased Nor does MIJ have a right to air news bulletins.
4 July 2002	Open term bill, permitting Muluzi to run for president again, fails in parliament by 2 votes. Bill is a private member's bill placed by an AFORD MP. A similar bill, the third term bill, resurfaces later but is withdrawn in Jan 2003. Chihana (June) pays MPs up to K100,000 each to vote in favour of bill. Afterwards Muluzi says he accepts decision of the house. Reports are that is his angry at aides for putting him in the embarrassing position of being rejected.
July 2002	Gaddafi visits Malawi
July 2002	MCP factions fight outside court where Tembo and Chakuamba battle over leadership
Aug 2002	UDF and NDA supporters fight and kill a man in Mulanje. 11 NDA charged but acquitted (Feb 2003)
Aug 2002	IMF visits Malawi and again recommends suspension of budget support
Aug 2002	19 AFORD MPs ask speaker to change AFORD leader in parliament.
Aug 2002	Violence at Mafunde rally (by UDF youth)
Aug 2002	ACB opens probe of MPs who took bribes to vote in favour of open term bill in July. Later expands enquiry to include MPs who took bribes for voting in favour of third term bill.

Aug 2002	International Bar Association (UK) reports on judicial independence, finding that 'members of the Executive frequently disregard court orders. There have been occasions when the Executive and Parliament have considered themselves above the rule of law and the Constitution'.
Sept 2002	PAC speaks out against Third term bill, use of chiefs to garner support for the bill.
Sept 2002	Despite Muluzi's ban on demonstrations about third term, pro-Muluzi demonstrators take to streets in Blantyre. Muluzi says PAC is being used by 'failed politicians'. Anti-Third term meetings banned and broken up by police.
Sept 2002	Chihana expels seven key members of AFORD (struggle over leadership and alliances)
Oct 2002	Two UDF MPs kicked out of parliament for associating with Forum for Defence of the Constitution (against third term bill), their seats to be contested. Case withdrawn in Jan 2003. This decision based on amended Sec 65 (1) of Constitution which says MP can lose seat for associating with an organisation whose objectives are political in nature. They argue that this amendment is unconstitutional.
Oct 2002	Police raid Chakuamba's house looking for weapons
Oct 2002	Informal poll shows people's favourite UDF candidate is Aleke Banda
Oct 2002	Muluzi ends stint as head of SADC
Nov 2002	Opposition (NDA, MCP and AFORD) planning coalition vs. UDF in 2004, they are 'meeting behind closed doors'. They deny that talks underway. (This demonstrates split in AFORD is about Chihana's leadership style, his mandate and vision. In Dec the AFORD 'rebels' say that Chihana is planning an electoral alliance with UDF for 2004).
Nov 2002	World Bank loan to import food, under emergency.
Nov 2002	Donors in CABS (Common approach to budget support) to withhold budgetary support until government 'shows will to cut spending'. IMF asks government to reduce wage bill, travel and allowances, etc. Pro-poor expenditures had been 'compressed' to accommodate other spending. IMF programme went off-trace in 2001, and Fund is withholding \$47m (K3.8bn) and has pushed other donors to do the same. This extended into 2003.
Nov 2002	Two separate court cases threatened to ban Tembo and Chakuamba from future political roles – Chakuamba might have to declare bankruptcy as he cannot pay K2.6m in legal costs arising from 1999 election suit, and Tembo recently convicted on charges of contempt of court (for his ignoring court ruling during his bid to take over MCP).
Dec 2002	Government has to pay K153m to farm input suppliers as many farmers defaulting on fertiliser loans..
Dec 2002	Chihana lambastes Muluzi's critics, especially clergy. He said they lack vision of what he and Muluzi have in store for Malawi.
Dec 2002	Pamodzi Freedom Party, 23 rd party, formed.
Jan 2003	'No third term' headline on <i>Daily Times</i> results in vendors being beaten by UDF youth.
DATE? Jan 2003	Third term bill (to allow Muluzi to run again) is withdrawn when it is clear it will not pass parliament. It remains in committee (as of Aug 2003). Has major implications for UDF, which has no chosen successor.
Jan 2003	MCP endorse Chakuamba as head of party (vs. Ntaba's bid).
Jan 2003	New NGO board threatens to suspend any NGO not registered with them by end of 2003. An attempt by government to halt work of 'political' NGOs.
Jan 2003	Tembo and Kainja, thrown out of parliament by speaker for being in contempt of court, appeals to Supreme Court to be allowed to return and to stop EC from holding by-elections. Chakuamba replaces Tembo as head of MCP in parliament.
Jan 2003	UDF youth march in Blantyre and storm Polytechnic and students retaliate and burn UDF offices (over third term issue)
Jan 2003	Three AFORD members appeal to Supreme Court to halt Chihana's dismissal of them from the party. Chihana favours Open term bill.
Feb 2003	Electoral Commission appeals for funds; registration scheduled to start July 2003 per EC.
Feb 2003	Assets bills is being drafted
Feb 2003	A joint Tembo-Chakuamba MCP rally is held

Feb 2003	MACRA (communications authority) laments that it still hasn't gained control over MBC and MTV.
Feb 2003	Rumours of vampires, bloodsuckers, spread through country, with political overtones. Journalist arrested for writing news about this, that is likely to cause a breach of the peace. Famine and relief continue.
Feb 2003	NDA says government is about to arrest NDA leaders for planning a coup. Government denies.
March 2003	Muluzi to court to testify he did not write the memo outlining strategies for buying opposition members to vote for third term bill. Government accuses Chakuamba of forging the memo.
March 2003	Electoral Commission (which was earlier reappointed by Muluzi with Kalaile as its head and many of the same commissioners) says it hasn't funds to hold local council by-elections or demarcate new national constitutional boundaries in preparation for 2004 elections. Says budget trimmed to US\$21m. (of which \$8m from government). Has established National Elections Consultative Board, with National Intelligence Bureau on it, which causes complaints. Next election set for 18 May 2004.
April 2003	National Executive meeting of UDF selects Bingu wa Mutharika and Cassim Chilumpha as 2004 Pres/VP candidates. Many UDF politicians unhappy with this but Muluzi favours. Four dissenters (and long-time UDF members) dropped from Muluzi's cabinet during reshuffle, that sees cabinet grow from 39 to 46 members. Split in UDF becomes public. Aleke Banda, founder and key minister in UDF, resigns from party. Some UDF MPs ask Muluzi to ensure they are entrenched as candidates in next election. UDF convention to be held in mid-2003 to confirm selection of wa Mutharika and Chilumpha.
April 2003	AFORD party is split, as Chihana allies with UDF/Muluzi. 15 April Chihana sworn in as 2 nd VP of Malawi.
April 2003	Muluzi owns almost all of UDF assets, leaving him in close control of party and its future
April 2003	Pressure for, and discussions of opposition parties' unity show no results
April 2003	MCP convention sees Tembo elected as president and Chakuamba, as VP. Later questions raised about Tembo's contempt of court case and his legal ability to run for president in 2004.
June 2003	NDA (B Mpinganjira's political party) registers as Malawi's 29 th political party.
June 2003	Reports that UDF using food aid at political rallies inspires Muluzi to threaten to deal with media outlets who report this. Food riots at distribution at rally follow (Aug).
Mid-2003	Reports that Electoral Commission has provided millions of kwacha to staff in unsecured loans. No questions raised, though, about how this will affect its performance or its independence in case of disputed election.
July 2003	Questions raised about legality of AFORD/UDF alliance and appointment of AFORD MPs to Muluzi's cabinet in light of amended Sec 65 of constitution re. MPs' political associations. AFORD MPs not removed from parliament by speaker though eight MPs – from 'Genuine AFORD' = GAFORD and NDA (ex-UDF) – removed from parliament by speaker (for politically associating) vs. Sec 65 but they are returned to house by the court. Calls for a reassessment of amended Sec 65.
July 2003	Threats against <i>Nation</i> journalists by UDF politician, later denied by Muluzi. <i>Nation</i> owned by Aleke Banda's family. These threats follow earlier beating of the journalist.
July 2003	Five foreign Muslim terrorist suspects are removed from country against court orders, by Americans with Muluzi's permission, though later deposited in Sudan and returned to Malawi. Sparks off Muslim riots vs. American and Christian interests and NGOs.
July 2003	Muluzi sets rules for UDF presidential aspirants (200 signatures and registration) but only two (later one) willing to stand against Muluzi's selection (wa Mutharika and Chilumpha). This one candidate is 'followed'. Muluzi 'dares' alternative candidates to attend UDF convention in Aug., which he wants to rubberstamp his selection of wa Mutharika and Chilumpha.
Aug 2003	Parliament votes to ban 'Africa Big Brother' programme from TVM. Overturned by court.

Aug 2003	UDF convention held, and Bingu wa Mutharika is elected UDF presidential candidate for 2004, and Muluzi is elected UDF national party chairman. wa Mutharika selects Chilumpha as VP candidate but question is raised about whether Chihana (as AFORD is in alliance) may insist on VP slot. wa Mutharika says he will 'protect' Muluzi from ill-treatment after he leaves Presidency (<i>cf.</i> Chiluba in Zambia). Reportedly 60% of newly elected National Executive of UDF are Chilumpha loyalists. Many people express dissatisfaction with 'imposition' of wa Mutharika on UDF.
Aug 2003	HR Commission asks Minister of Justice Fachi to repeal amendments to Sec 65 of the Constitution, or send the matter for judicial review.
Aug 2003	Collapse of the kwacha (from 90 to 105 to the dollar) due to shortages of forex (reserve bank holds just over one month's importation cover), poor tobacco sales and donors' withholding of aid.
Aug 2003	IMF team in country to determine if government's fiscal programme is 'on track'. Rumours spread that team will propose resumption of budget support because it fears 'melt down' and chaos. CABS (Common approach to Budget Support) donor group rumoured to oppose resumption.
1 Sept 2003	First Electoral Commission NECOF meeting, which sees NIB and Chiefs Council added as members. (Min of Local Govt says Chiefs Council does not yet exist). Other members include representatives of Law Society, TVM, Journalists Association of Malawi, the police, the army, MBC, ACB, EC commissioners, Chief Elections Officer and EC chairman, chair of CONGOMA, head of political studies at Chancellor College and the Secretary to OPC. [This appears to be a highly pro-UDF council]
2 Sept 2003	Unconfirmed reports that IMF will go to the board in October, and propose a new Poverty Reduction Growth Facility, with CABS support, though CABS members acknowledge the risks in resuming budgetary support.
4 Sept 2003	K109 = \$1 and country has 1.27mo of import cover.
Early-Sept 2003	Discussions ongoing between civil society organisations and opposition political parties about putting forth a single opposition candidate in May 2004 elections.
15 Sept 2003	Human Rights Consultative Committee ask ACB to finalise case against MPs who took bribes for third term vote. ACB says investigations not completed due to lack of funds and staff.
Mid-Sept 2003	Chihana states that AFORD will not field a presidential candidate in 2004 but will support wa Mutharika.
Mid-Sept 2003	Police arrest a <i>Daily Times</i> reporter on charges of 'publishing false information likely to cause fear and alarm to the public' because he reported that the police arrested Muluzi's son and nephew and three others in connection with armed robbery, a story confirmed by Senior Police Commissioner for the South. Reporter released on bail the same day.
Mid-Sept 2003	Trial continues against Chakuamba (deputy MCP) and his secretary for forging Muluzi letter offering to 'buy' MPs support for president's third term bid. Secretary claims she was forced by head of police to lie and say that Chakuamba told her to sign the letter.
Mid-Sept 2003	NFRA starts taking to court people who bought ADMARC maize, but never paid for it before famine
Mid-Sept 2003	MCP and other parties ask that MACRA and MBC open up airwaves vs. Muluzi's attacks on opposition on radio and TV during rallies. Neither respond to requests.
18 Sept 2003	Min Justice Fachi says amendments to Anti corruption Act are ready but will not include all the proposed changes, hopes to table in Oct parliament. Fachi said government is ready to listen to advice, but not take instructions. "Government is keen to ensure that we have a strong anti-corruption law. But we must do it carefully to safeguard people's rights and the democratic gains we have achieved so far. Every recommendation must be considered on its merits and democratic implications," said Fachi. (Nation, 18-9). Also says he has not yet abandoned third term bill but "We do not have any hidden agenda at all. We have nothing to hide. The reason is simply that the legal process has not yet been exhausted." Bill (amendments) on Declaration of Assets not yet ready.
22 Sept 2003	Founding member and senior UDF official, Harry Thompson, resigns from UDF after he (earlier) refuses to support third term bid, and after wa Mutharika and other UDF leaders tell his constituents he is no longer their MP. (Previous court case earlier in 2003,

	<p>overturned UDF, which told UDF MP Sonke that he was no longer the MP for his constituency when he opposed Muluzi's third term bid)</p> <p>Death of Davis Kapito, UDF governor of the southern region.</p>
<p>Mid-Sept 2003</p> <p>26 Sept 2003</p>	<p>IMF announces that it will re-start budget Nation 26/9: 'The second disbursement to Malawi of about K1 billion (US\$ 9 million) will "immediately follow the Board meeting when it concludes the first review of the PRGF-supported programme on or about October 20", resident representative Girma Begashaw said on Friday. "Unless something drastic happens, I see no problem Malawi starting to access the funding," Begashaw said. Malawi only accessed US\$8 million from a total of K5.8 billion (US\$55 million) from the IMF's PRGF funding on December 21, 2000, [sic? or 2001] before further disbursement were frozen due to slippages in implementing agreed programmes by government.' Email from MoF colleague says it is not a 'done deal' in spite of this news article.</p>
Mid-Sept 2003	<p>From National AIDS Commission: National adult prevalence (15-49 years): 15%; Number of infected adults (15-49 years): 739,000; Urban adult prevalence: 25%; Number of infected urban adults: 224,000; Rural adult prevalence: 13%; Number of infected rural adults: 516,000; Number of infected children: 65,000; Number infected over age 50: 41,000; Total HIV+ population: 845,000.</p>
28 Sept 2003	<p>Nation, 28/9: 'Asked when people should expect the donor money to start flowing after the IMF board meeting Mutharika said: "The money may even start flowing before the board meets. But there are conditions under which the money will be disbursed in tranches. "We must ensure that when the money is coming we account for it and we will use it for the purposes that it is intended for particularly to make sure that the programmes that are designed to help that the poor people in this country do not suffer," said Mutharika.'</p>
End Sept 2003	<p>Hanjahanja, (judge of 'doctrine of necessity' fame, fired from head of Electoral commission in 1999 due to incompetence) is appointed Malawi ambassador to Zimbabwe. Bishop Tutu in Malawi and states that African govts should condemn Zimbabwe's HR record when meeting with Zimb officials – a point aimed at Muluzi who met with MDC recently and purports to be, with Mbeki and Obasanjo, central negotiator of Zimb crisis.</p>
1 Oct 2003	<p>Kalaile is being accused of being President Bakili Muluzi's advisor and that he, therefore, aligns himself with the UDF. 13 Oct Nation reports that The Electoral Commission (EC) has vowed that its chairman James Kalaile will not resign despite mounting pressure from the Forum for the Defence Democracy (FDD) and the country's main opposition parties that he should. The Public Affairs Committee (Pac) is also conducting full investigations into allegations that Kalaile is partisan and incompetent to administer next year's polls. In an interview on Monday, EC spokesman Fegus Lipenga described as "a form of rigging" the calls by FDD and such parties as MCP, NDA, PPM and newly registered Mcode that the EC chair is partisan and incompetent.</p>
Early Oct 2003	<p>Dr Ntaba of MCP accompanies Muluzi's mother to SA for surgery. Ntaba is accused of defecting to UDF by Chakuamba. He denies this and says Tembo approved his visit with Mrs Muluzi to SA, but Tembo denies this.</p>
9 Oct 2003	<p>National Democratic Alliance (NDA) executive member John Chitukuko (religious affairs) official has his truck burnt by young democrats. "I suspect they were UDF young democrats because they were overheard saying that I insult President Bakili Muluzi daily and they torched my car so that I have no transport,"" NATION</p>
10 Oct 2003	<p>Nation reports 'Judge Anacklet Chipeta on Monday declared unconstitutional Section 65 (i), which empowered the Speaker to declare vacant a seat of any member who went to Parliament on the wings of a political party, if that member</p>

- joins an association or organisation with objectives that are political in nature. The controversial section was widely criticised for denying MPs the right to associate and for being applied selectively to victimise opposition MPs, sparing MPs who associated with the ruling party.... "I am celebrating cautiously," said [MP] Sonke. "I think I will have to wait until I get clarification on the issue before I let you start calling me honourable." He (a UDF MP) had been thrown out of parliament for being associated with movement vs. third term bill.
- 10 Oct 2003 *Nation*: 'Director of Public Prosecutions (DPP) Fahad Assani, dissatisfied with the acquittal of Gwanda Chakuamba's secretary by the Lilongwe Magistrate Court, has decided to move the pending forgery case against the MCP Vice President to the High Court. Principal Magistrate Chifundo Kachale on Wednesday acquitted secretary Grace Mhango on two counts of uttering a false document and libel. Mhango, an alleged accomplice in Chakuamba case, was being tried separately and Chakuamba was expected to appear before the same magistrate for mention (trial date appointment) on October 15. Said Assani: "The Magistrate has already made up his mind on the matter. What will be the point of raising the issue with the court that has already made up its mind on the matter?" Chakuamba and his secretary were accused of forging and transmitting a letter purportedly written by President Muluzi containing alleged strategies which were to be used to enable the abortive third term bill, currently being tamed, to pass through Parliament.'
- 12 Oct 2003 Speaking at a joint rally addressed by Mutharika and his running mate Cassim Chilumpha, Chihana told the rally that he cannot be presidential candidate and will support Mutharika who, he said, is calm. "I cannot stand as a presidential candidate because I am intolerant and selfish. That's why I decided to support Bingu because unlike me, he is calm and caring just like president Bakili Muluzi," Chihana told the rally.
(*Nation* 16-10)
- 14 Oct 2003 *Nation* reports that Government has abandoned the Chiefs Council whose formation President Bakili Muluzi announced on June 30, 2001 at a rally in Zomba after launching the Hunger Project. Muluzi, who made the declaration at a time when his bid for a third term in office issue was hot, said the council would be a link between traditional leaders and government through which the chiefs could forward their needs and complaints.
- 14 Oct 2003 Government withdraws third term bill. *Nation* reports (16-10) Attorney General Fachi says "It is true. That bill has been withdrawn. It will not be pursued in the next [37th] session of Parliament, or at any point in future,"Fachi said he advised Clerk of Parliament Roosevelt Gondwe last week to consider the bill ditched. "I was asked by officials of Parliament to advise on the status of the bill, and I responded to say that Government will not pursue it; it should be withdrawn," said Fachi. "So consider it dead and buried."
- 14 Oct 2003 Movement for Genuine Democratic Change (Mgode), a splinter of Aford, is launched. Said Green Mwamondwe: "We tried to pump sense into Chihana to stop his pro-UDF and Muluzi crusade, but we failed. He is more into Muluzi's money than the welfare of the hungry and poor masses. Now we say, let him have his torn jacket [Aford] as we forge ahead to serve the masses." The launch was graced by National Democratic Alliance (NDA) national chairman James Makhumula, vice president Viva Nyimba and legal advisor Arthur Makhallira.
- Mid-Oct 2003 Harry Thompson MP joins NDA.
- Mid-Oct 2003 Demat (a Statutory Corp) management has failed to account for K7.4 million from the Highly Indebted Poor Countries (Hipc) initiative and the

- missing K7 million from the K27 million the trust received from Treasury for the construction of a building in Njamba, Blantyre. Also on the missing list are about 30 of the 51 motorcycles donated by Japanese International Cooperation Agency (Jica). Manager suspended and reinstated, awaiting audit.
- Mid-Oct 2003 Local UNESCO office orders Mamwa (media women) to give up Mangochi community radio, but they 'smell a rat' and expect the local UNESCO people want to manage it for their own political purposes (this continues from late 90s, when Mpinganjira was Min Educ and tried to get local UNESCO office to take over radio for UDF use). Mamwa has appealed to regional UNESCO office in Harare.
- Mid-Oct 2003 CILIC organises march in Bty against abuse of women wearing mini-skirt, after attempted rape of Brazilian working with DAPP agency by vendors.
- Mid-Oct 2003 After meeting between civil society and parliamentarians over collaboration and sharing information, Muluzi states that they were planning to topple his government.
- 17 Oct 2003 Women UDF supporters riot and fight over money given to them by Muluzi during his opening of road at Karonga. Should have received K30,000 but got K15,000 and claim woman leader stole some.
- Mid-Oct 2003 Rumours emerge (and are reported in *Nation*, 17-10) that Muluzi and UDF and Chihana are trying to oust Chilumpha from VP position on UDF ticket in 2004 election.
- 20 Oct 2003 IMF announces: 'The Executive Board of the International Monetary Fund (IMF) today completed in principle the first review of Malawi's economic performance under a Poverty Reduction and Growth Facility (PRGF) arrangement and approved in principle the disbursement in an amount equivalent to SDR 6.44 million (about US\$9.2 million). The IMF Board's decision will become effective upon a further decision following the World Bank's Executive Board review of Malawi's Poverty Reduction Strategy Paper Progress Report, scheduled for October 23, 2003. The Executive Board also agreed to the authorities' request to extend the arrangement through December 20, 2004 and to resume interim assistance under the Heavily Indebted Poor Countries (HIPC) Initiative by approving the release of an amount equivalent to SDR 4.628 million (about US\$6.6 million) to help Malawi meet its debt service payments on its existing debt to the IMF'.

Annex 3: Map of Malawi



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Annex 4: Estimates of governance of selected SADC states, 1997-2001*

Voice and Accountability		Political Stability		Government Effectiveness	
2000/01	1997/98	2000/01	1997/98	2000/01	1997/98
Est. S.E. N	Est. S.E. N	Est. S.E. N	Est. S.E. N	Est. S.E. N	Est. S.E. N
AGO -1.26 0.24 4	-1.00 0.25 3	-1.98 0.28 4	-1.78 0.28 4	-1.31 0.24 4	-1.39 0.24 5
BWA 0.80 0.24 5	0.78 0.25 3	0.71 0.27 5	0.74 0.28 4	0.83 0.23 5	0.22 0.26 4
LSO -0.15 0.39 1	-0.15 0.36 1	-	-0.82 0.61 1	-	-0.46 0.33 2
MWI <i>-0.14 0.24 5</i>	<i>0.06 0.25 4</i>	<i>0.03 0.31 4</i>	<i>0.04 0.29 4</i>	<i>-0.77 0.26 4</i>	<i>-0.62 0.24 5</i>
MUS 1.27 0.29 3	1.01 0.29 3	1.12 0.32 3	1.14 0.39 3	0.76 0.26 3	0.17 0.27 3
MOZ -0.22 0.27 3	-0.17 0.29 3	0.20 0.51 2	-0.53 0.34 3	-0.49 0.40 2	-0.33 0.29 4
NAM 0.32 0.24 5	0.47 0.25 3	-0.52 0.31 4	0.71 0.31 3	0.60 0.26 4	0.04 0.26 4
SAR 1.17 0.23 7	0.99 0.25 5	0.07 0.22 9	-0.53 0.24 7	0.25 0.18 10	-0.01 0.21 8
SWZ -0.93 0.39 1	-0.78 0.36 1	-	-1.69 0.61 1	-	-0.47 0.33 2
TZA -0.07 0.24 5	-0.28 0.25 4	-0.34 0.27 5	0.57 0.27 5	-0.43 0.23 5	-0.49 0.22 6
DRC -1.70 0.27 3	-1.57 0.29 2	-2.59 0.38 3	-2.59 0.34 2	-1.38 0.31 3	-1.77 0.48 2
ZMB -0.17 0.24 5	-0.05 0.25 4	-0.42 0.27 5	0.00 0.27 5	-0.75 0.23 5	-0.40 0.22 6
ZWE -0.90 0.25 4	-0.67 0.25 4	-1.25 0.28 5	-0.54 0.27 5	-1.03 0.22 5	-1.13 0.22 6

* Derived from Daniel Kaufmann and Aart Kraay, *Growth Without Governance*, Table 3, World Bank, July 2002. According to Kaufmann and Kraay, the choice of units for governance ensures that the estimates of governance have a mean of zero and a standard deviation of one. Moreover, since we adopt the same choice of units for governance in each period, the indicators are not informative about a worldwide average trend in governance. However, they are informative about how countries' relative positions change over time. The aggregate indicators are oriented such that higher values correspond to better governance outcomes. The table reports the point estimates of governance (Est.), the estimated standard errors (S.E.), and the number of sources (N) by country, for each of six governance indicators, for 2000/01. For reference, the corresponding information for the 1997/98 indicators are reported as well in the same table.

Annex 5: Freedom House Country Ratings

Year Malawi

1972-73	7,6,NF
1973-74	7,6,NF
1974-75	7,6,NF
1975-76	7,6,NF
1976-77	7,6,NF
1977-78	7,6,NF
1978-79	6,6,NF
1979-80	6,7,NF
1980-81	6,7,NF
1981-82	6,7,NF
1982-83	6,7,NF
1983-84	6,7,NF
1984-85	6,7,NF
1985-86	6,7,NF
1986-87	6,7,NF
1987-88	6,7,NF
1988-89	6,7,NF
1989-90	7,6,NF
1990-91	7,6,NF
1991-92	7,6,NF
1992-93	6,7,NF
1993-94	6,5,NF
1994-95	2,3,F
1995-96	2,3,F
1996-97	2,3,F
1997-98	2,3,F
1998-99	2,3,F
1999-00	3,3,PF
2000-01	3,3,PF
2001-02	4,3 PF

'Since 1972, Freedom House has published an annual assessment of state of freedom by assigning each country and territory the status of "Free," "Partly Free," or "Not Free" by averaging their political rights and civil liberties ratings. Those whose ratings average 1-2.5 are generally considered "Free," 3-5.5 "Partly Free," and 5.5-7 "Not Free." The dividing line between "Partly Free" and "Not Free" usually falls within the group whose ratings numbers average 5.5'.

Malawi (extract of 1999-2000 report)

Polity: Presidential-parliamentary democracy

Political Rights: 3*

Civil Liberties: 3

Status: Partly Free*

Economy: Capitalist

Population: 10,000,000

PPP: \$710

Life Expectancy: 36

Ethnic Groups: Chewa, Nyanja, Lomwe, Ngonde, Tumbuku, Yao, Sena, Tonga, Ngoni, Asian, European

Capital: Lilongwe

Ratings Change: Malawi's political rights rating changed from 2 to 3, and its status from Free to Partly Free, due to violence against suspected ruling party supporters and Muslims following presidential and parliamentary elections in June.

Annex 6: Transparency International Perceptions of Corruption Index

Country Rank	Country	CPI score	Surveys used	Standard deviation	High-low Range
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2002 (of 102 countries indexed)

68	Malawi	2.9	4	0.9	2.0 - 4.0
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2001 (of 91 countries indexed)

61	Malawi	3.2	3	1.0	2.0 - 3.9
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2000 (of 90 countries indexed)

43	Malawi	4.1	4	0.4	3.8 - 4.8
----	--------	-----	---	-----	-----------

1999 (of 99 countries indexed)

45	Malawi	4.1		0.5	4
----	--------	-----	--	-----	---

1998 (of 85 countries indexed)

45	Malawi	4.1		0.6	4
----	--------	-----	--	-----	---

Malawi is not ranked before 1998

How to read the chart (from TI website)

‘The rank relates solely to the results drawn from a number of surveys and reflects only the perceptions of business people that participated in these surveys. Score ... relate to perceptions of the degree of which corruption is seen by business people - a perfect 10.00 would be a totally corruption-free country. ...Variance [High-low range] indicates differences in the values of the sources for the ... index: the greater the variance, the greater the differences of perceptions of a country among the sources. The number of surveys used had to be at least 4 for a country to be included in the CPI.

Corruption defined (from TI website)

‘Transparency International has tended to focus on corruption in the public sector and define corruption as the abuse of public office for private gain. The CPI makes no effort to reflect private sector fraud. The surveys used in compiling the CPI tend to ask questions in line with the misuse of public power for private benefits, with a focus, for example, on bribing of public officials, taking kickbacks in public procurement or embezzling public funds, etc. Many experts on corruption seek to make further distinctions within this broad definition, as they note both administrative corruption (e.g. illicit payments to tax inspectors) and political corruption (e.g. bribes to politicians and political parties).’

Annex 7: Donor Net Aid to Malawi, 1991-2001 (US\$ m)

1991	ODA (OA) Total Net	ALL Donors, Total	550.3
	ODA (OA) Total Net	DAC Countries, Total	208.71
	ODA (OA) Total Net	Multilateral ,Total	314.42
1992	ODA (OA) Total Net	ALL Donors, Total	578.27
	ODA (OA) Total Net	DAC Countries, Total	207.91
	ODA (OA) Total Net	Multilateral ,Total	364.52
1993	ODA (OA) Total Net	ALL Donors, Total	497.67
	ODA (OA) Total Net	DAC Countries, Total	158.62
	ODA (OA) Total Net	Multilateral ,Total	336.01
1994	ODA (OA) Total Net	ALL Donors, Total	470.78
	ODA (OA) Total Net	DAC Countries, Total	251.08
	ODA (OA) Total Net	Multilateral ,Total	215.51
1995	ODA (OA) Total Net	ALL Donors, Total	434.99
	ODA (OA) Total Net	DAC Countries, Total	220.91
	ODA (OA) Total Net	Multilateral ,Total	211.37
1996	ODA (OA) Total Net	ALL Donors, Total	491.74
	ODA (OA) Total Net	DAC Countries, Total	263.93
	ODA (OA) Total Net	Multilateral ,Total	227.96
1997	ODA (OA) Total Net	ALL Donors, Total	343.85
	ODA (OA) Total Net	DAC Countries, Total	174.08
	ODA (OA) Total Net	Multilateral ,Total	170.71
1998	ODA (OA) Total Net	ALL Donors, Total	434.62
	ODA (OA) Total Net	DAC Countries, Total	203.59
	ODA (OA) Total Net	Multilateral ,Total	230.16
1999	ODA (OA) Total Net	ALL Donors, Total	446.76
	ODA (OA) Total Net	DAC Countries, Total	227.67
	ODA (OA) Total Net	Multilateral ,Total	214.31
2000	ODA (OA) Total Net	ALL Donors, Total	446.3
	ODA (OA) Total Net	DAC Countries, Total	269.24
	ODA (OA) Total Net	Multilateral ,Total	170.86
2001	ODA (OA) Total Net	ALL Donors, Total	401.51
	ODA (OA) Total Net	DAC Countries, Total	195.82
	ODA (OA) Total Net	Multilateral ,Total	195.13

Source: Adapted from OECD Destination of Official Development Assistance and Official Aid - Disbursements (Table 2a), www.OECD.org (DAC online database).

Annex 8: PEM indicators for Malawi: a 'best guess'

Box 1. Salient Features of the Assessment Approach

The assessments were based on 35 questions covering the critical elements of PEM systems. From these questions, 15 indicators (shown below) were chosen as representative of the PEM system capabilities deemed necessary for tracking poverty-reducing public spending. Seven of the indicators relate to budget preparation and four each to execution and reporting.

The total number of benchmarks met can be viewed as an indicator of the quality of a country's PEM system. However, results based on this approach that suggest a substantial need for upgrading do not imply that countries cannot track poverty-reducing spending at all. What they suggest is that the accuracy and timeliness of data is likely to be relatively weak. Effective tracking of poverty-reducing spending requires PEM systems with some minimum level of capacity in each of the three areas: budget formulation, execution, and reporting.

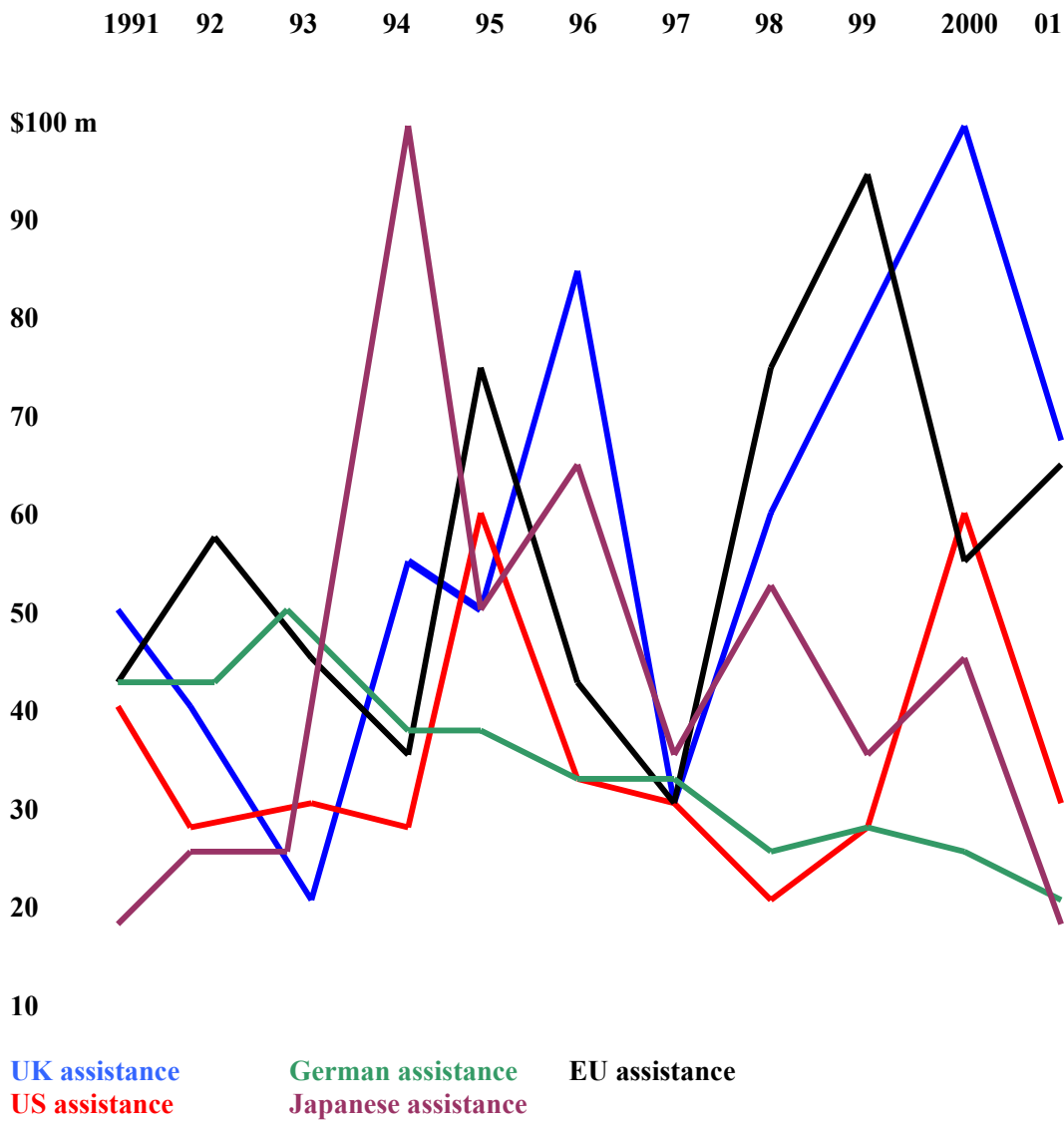
Budget Management		Benchmark Description
Formulation	Comprehensiveness 1. Composition of the budget entity 2. Limitations to use of off-budget transactions 3. Reliability of budget as guide to outturn 4. Data on donor financing Classification 5. Classification of budget transactions 6. Identification of poverty-reducing expenditure Projection 7. Quality of multi-year expenditure projections	Meets Government Finance Statistics definition of general government Extra- (or off-) budget expenditure is not substantial Level and composition of outturn is "quite close" to budget Both capital and current donor-funded expenditures included Functional and/or program information provided Identified through use of classification system (e.g., a virtual poverty fund) Projections are integrated into budget formulation
	Internal Control 8. Level of payment arrears 9. Quality of internal audit 10. Use of tracking surveys Reconciliation 11. Quality of fiscal/banking data reconciliation	Low level of arrears accumulated Internal audit function (whether effective or not) Tracking used on regular basis Reconciliation of fiscal and monetary data carried out on routine basis
	Reporting 12. Timeliness of internal budget reports 13. Classification used for budget tracking Final Audited Accounts 14. Timeliness of accounts closure 15. Timeliness of final audited accounts	Monthly expenditure reports provided within four weeks of end of month Timely functional reporting derived from classification system Accounts closed within two months of year end Audited accounts presented to legislature within one year

This is *not* a scientific survey, but a 'best guess' at the state of Malawi's public sector expenditure monitoring capacity.

Using a Scale 1-10 (10=top marks).

Answers from one advisor	Answers from a second advisor
<ol style="list-style-type: none"> 1. Okay but being revised and IFMIS [computerised] codes need to be updated to meet new international standards 2. 2, Substantial – maize operations taken below the line last year 3. 3, Okay last year on PPEs [pro-poor expenditures], but PPEs and others always way off. Provisions not seen as a limit of authority to incur expenditure 4. 4, Twenty percent of donor grant projects captured, loans okay. 5. 4, Special activities and off-budget expenditures distort the picture 6. 7, PPE codes identified and tracked monthly for funding 7. 4, MTEF 3 year project is there on paper only 8. 3, Exercise about to start but much evidence to show accumulation of new arrears circumvents cast budget principles and objectives 9. 6, They exist! But not everywhere in the line ministries yet. 10. 2, They have occurred – donor led and [perhaps] one by a Parliamentary committee 11. 3, Bank reconciliations improving slowly from very low baseline, aggregate reconciliations e.g., Malawi Revenue Authority to Treasury etc. probably still non-existent. 12. 6, Timeliness okay. Accuracy and relevance or usage is another matter. Submitted to get next month's funding. 13. 3, Not sure this really happens. Analysis on monthly basis etc. probably non-existent (though perhaps some in EP&D). 14. 1, two months! Are they joking? 15. one year. ditto. 1998-99 accounts were approved by Parliament in May 2003. 	<ol style="list-style-type: none"> 1. don't know 2. 6 3. don't know 4. 5 (this is almost the same thing as 2) most off budget items are donor funded 5. 5, program yes; function no 6. 3 poor system, might be better now 7. 2 in practice it's just incremental in the ministries 8. 1 9. 2 10. 1 11. 2 12. 8 (if we mean timeliness of Expenditure Returns; but this is a sub-optimal short term fix only; the main budget system - DATA - is almost a year behind and includes many mis-postings) 13. 4 14. 3 15. 5

Annex 9: Chart of aid flows from major donors, 1981-2001



	1991	92	93	94	95	96	97	98	99	2000	01
UK	50	39	21	56	48	84	28	57	77	97	67
US	37	27	30	28	58	32	27	20	28	59	31
EU	43	56	45	35	76	43	28	76	89	49	65
GER	44	44	51	37	37	32	33	26	29	25	20
JAP	18	24	24	100	47	64	35	47	34	39	18

Source: adapted from OEDC (DAC statistics online) Destination of Official Development Assistance and Official Aid – Disbursements (Table 2a)

Annex 10: GRICS: Governance Research Indicator Country Snapshot

http://info.worldbank.org/governance/kkz2002/country_report.asp?countryid=154

This paper presents estimates of six dimensions of governance covering 199 countries and territories for four time periods: 1996, 1998, 2000, and 2002. These indicators are based on several hundred individual variables measuring perceptions of governance, drawn from 25 separate data sources constructed by 18 different organizations. We assign these individual measures of governance to categories capturing key dimensions of governance, and use an unobserved components model to construct six aggregate governance indicators in each of the four periods. We present the point estimates of the dimensions of governance as well as the margins of error for each country for the four periods. We have also prepared a powerpoint presentation and a brief synthesis paper, which can also be downloaded from this page.

The governance indicators reported here are an update and expansion of our previous work, part of a research project on indicators initiated in 1998 (Kaufmann, Kraay and Zoido-Lobaton 1999a,b and 2002). We also address various methodological issues, including the interpretation and use of the data given the estimated margins of error. The data, as well as a web-based graphical interface, are available at www.worldbank.org/wbi/governance/govdata2002/.

MALAWI		MS Excel Version			
Population		11m			
Capital		Lilongwe			
Income per Capita		US\$ 170			
Life Expectancy		39 years			
HDI rank		151			
Adult Literacy		60.1%			
Infant Mortality		132			
Maternity Mortality		620			
Women Labour Forces		49%			
Freedom of Press		48			

Voice and Accountability	2002	2000	1998	1996
Estimate (-2.5 to + 2.5)	-0.56	-0.28	-0.10	-0.40
Percentile Rank (0-100)	29.8	41.9	47.6	37.2
Standard Deviation	0.18	0.22	0.23	0.21
Number of surveys/polls	7	6	5	4

Political Stability	2002	2000	1998	1996
Estimate (-2.5 to + 2.5)	+0.31	+0.05	+0.09	+0.00
Percentile Rank (0-100)	54.6	50.3	50.3	48.8
Standard Deviation	0.27	0.32	0.29	0.43
Number of surveys/polls	4	5	5	3

Government Effectiveness	2002	2000	1998	1996
Estimate (-2.5 to + 2.5)	-0.68	-0.67	-0.56	-0.69
Percentile Rank (0-100)	28.4	28.3	29.0	23.5
Standard Deviation	0.19	0.23	0.21	0.26
Number of surveys/polls	5	5	6	3

Regulatory Quality	2002	2000	1998	1996
Estimate (-2.5 to + 2.5)	-0.36	+0.02	+0.10	-0.43
Percentile Rank (0-100)	42.8	47.0	46.2	30.9
Standard Deviation	0.19	0.38	0.29	0.29
Number of surveys/polls	5	4	5	4

Rule of Law	2002	2000	1998	1996
Estimate (-2.5 to + 2.5)	-0.34	-0.51	-0.51	-0.19
Percentile Rank (0-100)	46.4	41.1	35.7	48.2
Standard Deviation	0.16	0.20	0.21	0.19
Number of surveys/polls	7	8	8	5

Control of Corruption	2002	2000	1998	1996
Estimate (-2.5 to + 2.5)	-0.91	-0.22	-0.50	-0.92
Percentile Rank (0-100)	19.6	48.4	39.3	12.0
Standard Deviation	0.18	0.21	0.18	0.26
Number of surveys/polls	6	6	6	3

Endnotes

¹ All states must provide basic services and perform certain functions to benefit their citizens. The characteristics of poor performance used here include the failure of the state to perform its service-delivery functions (law and order, correction of market failures, provision of public goods, and limited welfare redistributions) and its transformative functions (promoting development and the consolidation of democracy via state institutions and structures). Governance is therefore central to economic development. See Mushtaq H Khan, 'State Failure in Developing Countries and Strategies of Institutional Reform', 2002. Other literature on poor performance includes Paul Collier and David Dollar, 'Can the World Cut Poverty in Half?', World Bank, 2001?; 'Low-income Poorly Performing States: The Challenges for US Policy', Centre for Global Development, 2002; Jonathan Beynon, '"Assessing Aid" and the Collier/Dollar Poverty Efficient Aid Allocations: A Critique', Dfid, 1999; UNDP, 'Healing the Downward Spiral', 2002.; Angela Wood, 'Assessing Assessing Aid', Bretton Woods Project.

² Malawi appears to be devoid of exploitable natural resources such as oil and minerals except in small quantities. It has fish, but little commercial fishing, and bauxite, but no way to extract it profitably. Its hardwood forest is being cut down and carried away by hand.

³ David T Williams, *The Politics of Despair* (1978) cited in Richard Carver, *Malawi: The Lost History* (forthcoming)

⁴ Discussion of Dr. Banda's economic policies is based on Diana Cammack, *Malawi at the Threshold: resources, conflict and ingenuity in a newly democratic state* (2001)

⁵ Frederic L Pryor, 'Income Distribution and Economic Development in Malawi: Some Historical Statistics', World Bank, 1988 notes that the Gini coefficient for landholdings amongst smallholder households stood at 0.369 in 1968/69 and 0.381 in 1984/85. The Gini coefficient for income for smallholder families in 1968/69 was 0.203, for people in small towns, 0.466 and in major towns, 0.660. The national average was 0.448. In 1984/85 the Gini Coefficient for income for smallholders was 0.453 and 0.621 for people in major towns. The national average was then 0.599.

⁶ Jan Kees van Donge, 'The fate of an African "chaebol" : Malawi's Press Corporation after democratisation' in the *Journal of Modern African Studies*, 2002.

⁷ Horizontal features of social organisation that draw together people as equals 'cooperating in relations of "generalised reciprocity" and mutual benefit and respect'

⁸ Larry Diamond, *Developing Democracy: Toward Consolidation* (1999), Chpt 6

⁹ For instance, soon after the end of the war in Mozambique whole villages moved from Malawi into Milange district, Mozambique, and in 1999 the Malawi kwacha was the currency of choice there. When the war allowed (e.g., 1989) trade across the Milange/Mulanje border and at Dedza continued, as firewood, WFP food and UNHRC non-food items were transported by hand and sold. (Cammack field research, 1989, 1994 and 1999).

¹⁰ See for instance, Martin Whiteside, et al, 'Neighbours in Development: Livelihood Interactions between Southern Malawi and Northern Mozambique' (2002).

¹¹ Kathryn Casson, 'Governance indicators: An Overview', 16 July 2003 notes that the WB and IMF use a performance monitoring evaluation system. During 'the first phase of the PETs exercise [they] examined 25 HIPC countries, finding that 15 countries required substantial upgrading to their systems before poverty spending could be effectively tracked. Only 2 countries in the original set were deemed capable of tracking spending in a meaningful way.' Two technical advisors familiar with Malawi looked at the set of questions for the PEM approach, and produced 'best guess' answers. See *Annex 9*. While this is not a scientific survey, it attempts to quantify Malawi's capacity to track its poverty-reducing spending.

¹² Haroub Othman and Per Grimstad, 'Malawi Governance Framework', May 2002 draft 1, citing Malawi Centre for Social Research and UN Economic Commission for Africa, 'Report on Indicators for Monitoring Good Governance in Malawi' 'The results of the experts' survey show that a large majority thinks the Constitution provides adequate checks and balances. At the same time, more than 85% believe that civil and human rights provided for in the Constitution are only respected sometimes, rarely or never by authorities. It is felt by the majority of respondents that the opposition is weak, with very little influence

on Government programmes and policies, and not very effective in keeping the Executive accountable. It is also expressed by a majority opinion that Parliament is somewhat corrupt, probably as a result of allegations in connection with the third-term voting. The watchdog organisations [i.e., Constitutional bodies such as HR Commission, ACB] established are however perceived as being relatively effective. There is also a positive perception of the recruitment and independence of the judiciary. ... Parliamentary Committees are on record as saying that Government's internal control systems are not effective; and among the experts asked, over 55% feels that the Government rarely or never acts in an accountable manner....The CSO's and the media are generally seen as independent, and allowed to operate in an independent manner. It is however a general feeling that there is an increasing degree of harassment by organisations like the "Young Democrats" (a political youth organisation of the ruling UDF), and also the police. The MBC is generally seen as the most important channel of communication, but also as being influenced by the ruling party'. Also see Maxton Grant Tsoka, 'Public Opinion and the Consolidation of Democracy in Malawi', Afrobarometer report 16, Jan 2002: 'Just five years after Malawi's first multiparty elections, a 1999 survey of public attitudes reveals that the legacy of the one-party dictatorship may continue to have an important effect on people's views. Understandings of democracy still seem to be somewhat vague, and many Malawians think they are getting as much from democracy as they can expect. Although a majority prefer democratic to non-democratic forms of government, some aspects of the old regime are still applauded by many, and most would do little to defend democracy if it were under threat. In general, Malawians do not think that they have any means to influence the political and economic conditions affecting their lives. The perceived failure of the present government to meaningfully improve living standards since 1994 also hurts the prospects for building a strong democratic culture. Objective assessment of democracy and its values and achievements in Malawi is also strongly affected by partisan biases. Many respondents appear to have trouble distinguishing between their party preferences and support for or opposition to the democratic government. Since party support tends to break down along regional lines, the picture of public views that emerges at the national level is far different from that for each of the regions, where wide variations are apparent'.

¹³ As noted by one informant, Paul Russell, advisor to the Anti-corruption Bureau, 12 Aug 2003, Malawi's civil society is 'extremely weak' and therefore does not 'push' government. With a population that is 85% rural, uneducated and ill-informed, there is 'no force to make the government accountable'. Local NGOs are also 'pathetic', leaving only the church to affect change.

¹⁴ Paul Russell, 12 Aug 2003, also explained that it is 'meaningless' to explain poor performance in terms of a 'lack of political will' as is often done. Instead in Malawi 'the will does indeed exist to be proactive at the expense of others, including the State, with little regard for [the] consequences' to the bulk of the population.

¹⁵ It might be noted here that Mr. Muluzi's cabinet has more than doubled in size since 1994, to 46 members.

¹⁶ Interview with Nick Marshall, economist and EC Technical Assistant to the Ministry of Finance, 13 Aug 2003.

¹⁷ Thomas Homer Dixon speaks about the difficulty of pulling a country out of a downward spiral. See Thomas F. Homer-Dixon, *The Ingenuity Gap: How can we solve the problems of the future?* (2000).

¹⁸ See the important book by Patrick Chabal and Jean-Pascal Daloz, *Africa Works: Disorder as Political Instrument*, 1999.

¹⁹ Nicolas van de Walle, *African Economics and the Politics of Permanent Crisis, 1979-1999*, 2001, pp. 59-62. A quick look at project documents on the websites of major donors supports his view that donors are optimists rather than realists.

²⁰ Imagine if a city government in the US or Europe behaved as the Malawi government has with regard to budgets, corruption with impunity, policy implementation, etc. The public and authorities would demand an enquiry, arrests and prosecutions. This does not happen when donor funds are misused in Malawi because donors are not accountable to the public at home (which is too far away to know what is happening) or to the public in the host country.

²¹ Mr Muluzi, a southerner, was once Secretary General of the MCP (under Dr. Banda). He was a relatively well-off businessman when he came to power in 1994, but he is now extremely wealthy, with investments in many sectors – e.g., agriculture, banking, energy, construction, commerce, etc. He was recently reported to own 90% of the UDF's assets, making it difficult to dislodge him from the leadership of the party even after he ceases to be Malawi's president.

²² 17-18 May 2003. The Attorney General said that the bill would require public officials, including ministers, MPs, senior civil servants and judges, and officials of statutory corporations to declare their assets. If they refused, they could be impeached or lose their positions.

²³ *The Weekend Nation*, 16-17 Aug 2003. Informal discussions with staff in the new procurement office (in the OPC) indicate that 'politics' still permeates the award of contracts.

²⁴ For instance, Sam Mpasu, Minister of Education, was removed from office and given a senior party post after the 'Field York' scandal. Later another Minister of Education, Cassim Chilumpha, was removed from office but appointed head of Blantyre Print and Publishing after it emerged that he was (allegedly) involved in a scam that saw K187m funnelled from the ministry into UDF supporters' and candidates' hands. He was selected by Mr. Muluzi to run for vice president in 2004. The Minister of Information Clement Stambuli avoided arrest after the ACB uncovered his attempt to purchase privatised telephone exchanges, though junior staff faced prosecution. Earlier Minister of Information Brown Mpinganjira managed to avoid arrest for a whole string of allegedly fraudulent deals – until he broke with Mr. Muluzi over the president's third-term bid, after which he was tried for corruption. Friday Jumbe, ex-head of ADMARC, was appointed Minister of Finance after selling grain to profiteers (and allegedly privately using ADMARC funds). The head of the Petroleum Supply Commission was moved into the President's office after the ACB uncovered fraud in that agency. Since 1994 one minister has been removed from cabinet and tried, but he was not a senior member of the administration or part of the UDF's inner circle.

²⁵ For a discussion of the civil service since independence, see Gerhard Anders, 'Freedom and Insecurity: Civil Servants between Support Networks, the Free Market and the Civil Service Reform' in Harri Englund, ed., *A Democracy of Chameleons: Politics and Culture in the New Malawi* (2002).

²⁶ According to Anders, real wages dropped by fifty percent between 1982 and 1992. Gerhard Anders, 'Freedom and Insecurity: Civil Servants between Support Networks, the Free Market and the Civil Service Reform' in Harri Englund, ed., *A Democracy of Chameleons: Politics and Culture in the New Malawi* (2002). (High rates of inflation since then have continued to erode real wages.)

²⁷ *The Nation*, 24 Nov 2003: 'Government has lost over K7 billion (\$6.5 million) in corruption spanning seven years involving cabinet ministers and senior controlling officers because in most cases the Director of Public Prosecutions (DPP) has not given consent or has not acted on the recommendations from the Anti-Corruption Bureau. The K7 billion lost to graft is only about K3 billion short of being the amount of money in budgetary support from donors in the 2003/04 budget.'

²⁸ Gerhard Anders, 'Freedom and Insecurity: Civil Servants between Support Networks, the Free Market and the Civil Service Reform' in Harri Englund, ed., *A Democracy of Chameleons: Politics and Culture in the New Malawi* (2002), p. 56. Other examples include senior officials forming companies to sell computers and I.T. services or stationery to government, sometimes even their own departments, security officials receiving expensive vehicles in return for placing orders for the forces' new fleet of lorries, ordering election materials from firms that submitted relatively high bids, giving licenses to businessmen to open new companies in return for unsecured (and non-repayable) bank loans, etc.

²⁹ Rob Jenkins and Maxton Tsoka, 'PRSP Institutionalisation Study: Final Report Chapter 5: Institutionalising the PRSP approach in Malawi', Strategic Partnership with Africa, 3 Oct 2001.

³⁰ But as Nick Marshall pointed out, the term 'civil service' is too broad and undifferentiated for policy prescriptions. To establish policy, different groups within it should be identified, e.g., teachers, health workers, army, and police. For instance, with the low ratio of people: police officers, teachers and health staff, it would not be wise to reduce the size of those services. On the other hand, one wonders why Malawi has to have a standing army? Email to Cammack, 2 Sept 2003.

³¹ The following is drawn from an interview with Tim Cammack, a public sector financial management consultant, 26 Aug and email 4 Sept 2003.

³² About the NFRA/ADMARC case, he added that it is no good to blame failure on ineptitude alone. Instead, management will allow incompetent personnel and poor financial and operational systems to continue if they benefit themselves.

³³ Interview with Paul Russell, advisor to the Anti-Corruption Bureau, 12 Aug 2003.

³⁴ In a separate interview Paul Russell, 12 Aug 2003, noted that 90% or more of the corruption cases reaching the ACB have to do with fraudulent procurement practices. The response has been to make government institution's 'water tight to resist corrupt penetrations'. If this is done, corruption is 'automatically dealt with'.

³⁵ Similarly, but in a separate interview, Paul Russell, 12 Aug 2003, said that there is no 'national consciousness' or 'national community spirit'.

³⁶ Malawians, even NGO spokespersons, often argue against privatisation because it puts people out of work. This is partly explained by the fact that because about one percent of Malawians are employed by the civil service and each public employee supports a dozen or more people through their extended family network. But public relations explaining the link between improved service delivery and privatisation is also lacking. Therefore, the public should be informed about privatisation so they can understand that it does not benefit them to have 'ineffectual civil servants employed in sinecure positions'.

³⁷ The following discussion is drawn from an interview with a human resource management specialist, Roger Ganse, Principal of Development Management Associates, 15 Aug and email, 13 Sept 2003.

³⁸ The following is derived from an interview with Professor Tony Harries, advisor to the Tuberculosis programme in the Ministry of Health, 13 Aug 2003.

³⁹ But 'since Physical Assets Management started in 1999, when 40% of hospital equipment was working, the situation has been improved so that now on average 90% is operational at central and district hospitals nationwide. This improvement has been put on a sustainable footing with maintenance units built, workshops equipped and staffed with engineers and spare parts/service vehicles purchased. Maintenance teams are now being mobilised down to the district level hospitals to maintain the hospital buildings and other infrastructure'. These successes depend on continued funding though. Email to Cammack, 22 Sept 2003.

⁴⁰ *International Country Risk Guide*. Definitions used: Risk of repudiation – Measured on scale of 0-10. Indicates the 'risk of a modification in a contract taking the form of a repudiation, postponement, or scaling down' due to 'budget cutbacks, indigenisation pressure, a change in government, or a change in government economic and social priorities'. Lower scores indicate higher risks. Risk of expropriation – Measured on scale of 0-10. Assessment of risk of 'outright confiscation' or 'forced nationalisation'. Lower scores indicate higher risks. Corruption in government – Measured on scale of 0-6. Lower scores indicate 'high government officials are likely to demand special payments', and 'illegal payments are generally expected throughout lower levels of government' in the form of 'bribes connected with import and export licenses, exchange controls, tax assessment, policy protection, or loans'. Bureaucratic quality – Measured on scale of 0-6. Higher scores indicate 'autonomy from political pressure' and 'strength and expertise to govern without drastic changes in policy or interruptions in government services'; also existence of an 'established mechanism for recruiting and training'. Rule of law – Measured on a scale of 0-6. This variable 'reflects the degree to which the citizens of a country are willing to accept the established institutions to make and implement laws and adjudicate disputes'. Higher scores indicate sound political institutions, a strong court system, and provisions for an orderly succession of power'. Lower scores indicate 'a tradition of depending on physical force or illegal claims to settle claims'.

⁴¹ Government of Malawi, Ministry of Forestry, Fisheries and Environmental Affairs, *State of Environment Report*, 10 Feb 1998, draft, p. 62, notes that 78% of drought years between 1922 and 1992 coincided with *El Niño*. Cf. SARDC/IUCN, *State of the Environment in Southern Africa* (SARDC, 1994), which states that 1/3rd of drought in southern Africa is linked to *El Niño*. Mike Hulme (ed.), *Climate Change and Southern Africa: an exploration of some potential impacts and implications in the SADC region* (University of East Anglia, 1996). Recent evidence suggests that Africa is being effected by global warming worse than the industrialised North. *Cape Times*, 30 July 2003 citing research by the UK's Hadley Centre.

⁴² For a recent analysis see 'C-SAFE Malawi Baseline Survey', 8 Sept 2003, www.reliefweb.int.

⁴³ For Africa-wide trends see Economic Commission for Africa, *Economic Report on Africa 2003*. Poor performers share characteristics and fall into a category of states that is unable to take advantage of the benefits of globalisation. See *The Economist*, 23 Aug 2003 and Stanley Fischer, 'Challenges of Globalising Africa', www.thisdayonline.com. One extreme scenario sees southern Africa's temperature quickly climbing as much as 4° F. Peter Schwartz and Doug Randall, 'An Abrupt Climate Change Scenario and Its Implications for United States National Security', US Pentagon, Oct 2003 cited in *The Observer* (UK) 22 Feb 2004.

⁴⁴ Stephen Brown, *Donors' Dilemma in Democratization: Foreign Aid and Political Reform in Africa* (Ph.D. Dissertation, 2000), Table 3.2. This dissertation forms the basis of the discussion of donors, aid and the transition here.

⁴⁵ Stephen Brown, *Donors' Dilemma in Democratization: Foreign Aid and Political Reform in Africa* (Ph.D. Dissertation, 2000), p 134.

⁴⁶ Stephen Brown, *Donors' Dilemma in Democratization: Foreign Aid and Political Reform in Africa* (Ph.D. Dissertation, 2000), pp. 168-69.

⁴⁷ E.g. When the British High Commissioner complained about the President buying 33 Mercedes for cabinet ministers in 2000, when the departing WB representative complained about governance in September 2001, and when the Danes withdrew all assistance from Malawi in 2002.

⁴⁸ In their defence it is frequently heard in Lilongwe that the heads of missions must 'pick their issues' and that they do *quietly* approach government about their concerns. Private discussions with some senior diplomats indicate their frustration with government behaviour, yet they rarely go public.

⁴⁹ See Oliver Morrissey, 'Pro-poor Conditionality for Aid and Debt Relief in East Africa', CREDIT, Sept 2001 for a justification of this view.

⁵⁰ The overview of aid after 1994 is based upon IMF reports found on their website www.imf.org/external.

⁵¹ IMF, 'IMF approves ESAF Loan for Malawi', 18 Oct 1995 Press release.

⁵² IMF, 'IMF approves Second Annual ESAF Loan for Malawi', 5 Dec 1996 Press release and IMF, 'Malawi – Enhanced Structural Adjustment Facility Policy Framework Paper, 1998/99-2000/01', n.d..

⁵³ IMF, 'Malawi – Enhanced Structural Adjustment Facility Policy Framework Paper, 1998/99-2000/01', n.d. Also, IMF, 'IMF Approves Third Annual ESAF Credit for Malawi', 18 Dec 1996 Press release.

⁵⁴ IMF, 'IMF Approves Third Annual ESAF Credit for Malawi', 18 Dec 1996 Press release and IMF, 'IMF Concluded Article IV Consultation with Malawi', 30 Dec 1998 Public Information Notice.

⁵⁵ IMF, 'IMF Concludes Article IV Consultation with Malawi', 23 Jan 2001 Public Information Notice.

⁵⁶ AFROL News, 24 Dec 2000, www.afrol.com/Categories/Economy_Develop/dev02_xmas_debt.htm. *The Nation*, 26 Sept 2003.

⁵⁷ IMF, 'IMF Concludes Article IV Consultation with Malawi', 23 Jan 2001 Public Information Notice.

⁵⁸ The CABS group includes UK, Norway, Sweden, EU, Germany (observer status). The Danes were members until they withdrew all aid from Malawi.

⁵⁹ The Malawi government 'budget only records ca. MK5bn of project grants when in reality total disbursements are budgeted and are on track for ca. MK30bn of official project grant aid this FY (i.e. excluding budgetary support) and this figure is just projects that should be in the official MG budget and so excludes NGOs, church and other private foundations (Rockefeller, Wellcome Trust etc) project aid that also goes on'. Nick Marshall email to Cammack, 19 Dec 2003.

⁶⁰ *The Nation*, 27 February 2003.

⁶¹ IMF, 'IMF Concludes 2002 ARTICLE IV Consultation with Malawi', Aug 16 2002 Public Information Notice.

⁶² June 2001.

⁶³ For instance, Minister of Finance Jumbe said that government had 'forked out' K395million in retrenchment packages and operating costs of parastatals, citing ADMARC, Malawi Housing Corporation, Malawi Posts, David Whitehead (textiles), Teveta (skills training), Grain and Milling etc. as having 'posted huge losses'. *Daily Times*, 15 May 2003.

⁶⁴ It was not only donors who insisted on reforms; periodically commercial groups, civil society, and opposition politicians articulate similar demands – e.g., John Tembo (MCP) noted that government programmes have failed to address the needs of the rural masses. 'The lack of vision, poor policies and wrong priorities set by the government are some factors.... [along with] lack of discipline in spending the taxpayers' money Coupled with bad governance and government intolerance to the opposition, Malawi is registering lower revenues and grants in an atmosphere of uncontrolled expenditure.... The agriculture sector is struggling to survive because government policies have stifled production.' *The Nation*, 14 July 2003. The Malawi Economic Justice Network (a local NGO) noted that 'it did not make sense for government to increase funding to the unpopular National Intelligence Bureau (NIB) from K60 million to K122 million when it has proposed cuts in more important areas, such as district levels and priority poverty expenditures. *The Nation*, 16 May 2003. A local independent paper, *The Dispatch*, 15-21 May 2003, raised the issue of presidential travel, totalling (it said) K200 million a year, as well as the K300 million SADC summit in Blantyre in 2001. The Public Affairs Committee (a faith-based group) complained about the President's 'useless trips' when he should be fighting hunger and poverty. The President was quoted as saying his critics were just jealous because 'he was not visiting their homes'. The local newspapers were full of Malawian commentators' warnings that aid might be cut in 2001 because of over-spending and the reduction of pro-poor expenditures. Donors' humanitarian aid was not affected; in fact, the WB provided

Malawi with a special loan to buy relief food during the 2002-03 famine and British budgetary support was transformed into humanitarian aid.

⁶⁵ According to the Confederation of Chambers of Commerce and Industry, overspending in 2001 went mostly on embassies, the police, intelligence services, army, state residences, the OPC and national assembly. *Daily Times*, 22 June 2001.

⁶⁶ IMF, 'Malawi: Concluding statement of the IMF mission', 14 May 2002.

⁶⁷ IMF, 'IMF Concludes 2002 Article IV Consultation with Malawi', 16 Aug 2002. Emails to Cammack in August and September 2003. *The Nation*, 26 Sept 2003 reported that Girma Begashaw, the IMF representative in Malawi, stated that budget support would start again after the IMF board met in late October 2003. "The program for the rest of 2003 and 2004, which the IMF Board will be reviewing in October tries to establish a stable macroeconomic environment-that is achieve lower inflation and interest rate, and stable and competitive exchange rate-and to remove structural blocks for resumption of higher growth in the economy," he also said. Asked what government must do to avoid future slippages in implementing agreed programmes, Begashaw said "the key phrase is 'implementation of economic and financial policies - to restore macroeconomic stability - and structural reforms to accelerate growth' as contained in Malawi's Poverty Reduction Strategy Paper (MPRSP) and as also specified in the Letter of Intent (LOI) of the Government of Malawi to the IMF'.

⁶⁸ IRIN, 22 Oct 2003 and IMF Press Release No. 03/174, 20 Oct 2003. Economic Resources Limited and Ernst & Young, 'National Food Reserve Agency External Audit of NFRA & Management of Malawi's National Grain Stocks', 21 May 2003. This document demonstrates the extent of incompetence and incapacity and to some extent, malfeasance at NFRA/ADMARC that led to the grain scandal and famine of 2001-03.

⁶⁹ The amendments are to be presented to the next parliament.

⁷⁰ *BBC*, 18 Dec 2003.

⁷¹ *The Nation*, 19 Feb 2004 speculated that fiscal indiscipline, volatile interest rates and the government's continued refusal to amend the ACB Act were likely to affect future donor aid flows.

⁷² Emails to Cammack, 23 Oct and 3 Nov 2003.

⁷³ CONGOMA, the NGO network, was unable to supply the information. Donors will soon attempt to calculate the amount of NGO assistance reaching Malawi.

⁷⁴ Haroub Othman and Per Grimstad, 'Malawi Governance Framework', UNDP, May 2002 draft 1. 'The Act says that all CSO's must register with Government, and give quite detailed account of their organisation, such as name and address of office-bearers, audited statements, funding and sources of funding. They must also give account of their activities in the preceding year, and plans for next year. The CSO must also not get involved in partisan politics and form associations without informing government.'

⁷⁵ Nicolas van de Walle, *African Economics and the Politics of Permanent Crisis, 1979-1999*, 2001, pp. 181-84, 259, 264 and 269. He explains that state capacity is weakened by under-financing by the state's neopatrimonial elite and stringent donor budgets; permanent crisis management; disempowerment of the bureaucracy by the president, donors and NGOs; and the reduction of the state's capacity to collect revenues, which further reduces state resources and completes the circle. He cites the famous assertion by Malawi's DPP in 2000 that one-third of Malawi's revenue is lost to corruption by civil servants.

⁷⁶ Oliver Morrissey, 'Pro-poor Conditionality for Aid and Debt Relief in East Africa', CREDIT, Sept 2001.

⁷⁷ DFID, 'Policy Planning and Implementation: Choice of Aid Modalities', Sept 2003.

⁷⁸ Nicolas van de Walle suggests that it may be able to evolve and change from within as established and wealthy patrons begin to demand from government measures that promote economic growth, e.g., the rule of law, transparency etc. For a thorough discussion of the socio-political, cultural and economic interactions of development see David S Landes, *The Wealth and Poverty of Nations: Why some are so rich and some are so poor*, 1999 and Lawrence E Harrison, *Who Prospers: How cultural Values Shape Economic and Political Success*, 1992. For a discussion of ingenuity and development in Malawi, see Diana R. Cammack, *Malawi at the Threshold: resources, conflict and ingenuity in a newly democratic state*, Committee on International Security Studies American Academy of Arts and Sciences (Nov 2001).

⁷⁹ Interview with Nick Marshall, Finance, 13 Aug 2003.

⁸⁰ Interview with Roger Ganse, 15 Aug 2003. All informants made a similar recommendation

⁸¹ And, as Nick Marshall noted, it is more effective than each donor hiring separate consultants, each with a different terms of reference and reporting structures. Imagine, he said, a managing director of a business

hiring 35 different consultants to sort out all aspects of the business and then dealing with each one of them separately. Email to Cammack, 2 Sept 2003.

⁸² Nicolas van de Walle, *African Economics and the Politics of Permanent Crisis, 1979-1999*, 2001, pp. 173-74: 'Political leaders derive a ... lesson from the uneven record of the last decade: that the economic costs of nonimplementation of adjustment are minimal and that nonreform is sustainable.... [In the 1980s they] believed international capital would dry up, the state would go bankrupt, social systems would fall apart, and so on. Now, two decades later, state elites view nonimplementation with more confidence. They understand that conditionality has turn out to be largely toothless'; aid continues to flow and debts to be rescheduled.

⁸³ Interview with Roger Ganse, 15 Aug 2003.

⁸⁴ Interview with Tony Harries, 13 Aug 2003.

⁸⁵ Interview with Nick Marshall, 13 Aug 2003.

⁸⁶ *The Nation*, 13 May 2003. The PRSP consultation process was too 'speedy', resulting in a 'half-baked plan'.

⁸⁷ *Daily Times*, 25 April 2003 and *The Nation*, 16 May 2003. Nick Marshall, interview 13 Aug 2003, provided data to support the view that pro-poor expenditures (PPE) by government are declining: Ignoring HIPC funds (which are targeted at PPE) and looking solely at the government's non-statutory discretionary spending, the amount of government's own resources spent on PPE has been as follows: 1999-2000: 31% of voted expenditure, 2000-01: 30%, 2001-02: 26%, 2002-03: 29%. The 2003-04 (approved/draft) now stands at 19% but may be revised upward. Marshall email to Cammack, 2 Sept 2003. The WB pointed out in 2001 that the share of the recurrent and the development budgets going to education has declined since 1997. Health budgets remain stable but actual spending falls short of budgeted amounts. *Malawi Public Expenditures: Issues and Options*, June 2001.

⁸⁸ Rob Jenkins and Maxton Tsoka, 'PRSP Institutionalisation Study: Final Report Chapter 5: Institutionalising the PRSP approach in Malawi', Strategic Partnership with Africa, 3 Oct 2001, www.spa-psa.org/confidential/docs/ One good step recently: pro-poor spending under the PRSP is being reviewed in February 2004, and the Malawi Economic Justice Network, a civil society organisation, was invited to be a member of the review team.

⁸⁹ Interview with Paul Russell, ACB advisor, 12 Aug and Roger Ganse, human resource specialist, 15 Aug 2003.

⁹⁰ Interview with Tim Cammack, 25 Aug 2003.

⁹¹ Interview with Tony Harries, 13 Aug 2003.

⁹² Interview with Tony Harries, 13 Aug 2003.

⁹³ David T Williams, *The Politics of Despair* (1978) cited in Richard Carver, *Malawi: The Lost History* (forthcoming).

⁹⁴ The National Compensation Tribunal database (June 2002, when there were about 19,500 claims) had approximately 6000 exile-related claims, 5700 detention-related claims, 120 cases for loss of life, and more than 5000 claims for loss of property, business, and education. See Diana Cammack with Cuthbert Mwale, 'Reparations in Malawi, 1992-2002' in forthcoming volume by International Committee for Transitional Justice. Stephen Brown, *Donors' Dilemmas in Democratization: Foreign Aid and Political Reform in Africa* (Ph.D. Dissertation, 2000), notes that most estimates of those killed during the Banda regime range between 3,000-10,000.

⁹⁵ The following discussion of Dr. Banda's economic policies is based on Diana Cammack, *Malawi at the Threshold: resources, conflict and ingenuity in a newly democratic state* (2001).

⁹⁶ Guy Mhone, 'The Political Economy of Malawi: An Overview', in Guy C.Z. Mhone (ed.), *Malawi at the Crossroads: The Post-Colonial Political Economy* (1992), pp. 1-33. Also see CLC Chanthunya, 'Financial and Economic Returns to Land', and Banda's speech to Parliament in April 1967 cited in MR Mshisha, 'Land Law in Malawi', both in the *Final Report of the Presidential Commission of Inquiry on Land Policy Reform*, vol. 3, 31 March 1999, p. 34.

⁹⁷ Press holdings consisted of some fifty companies, held 'in trust' for Malawians by Dr. Banda, which monopolised key sectors such as agribusiness, industry, banking, and insurance. Banda was said to control 40% of estate-grown tobacco. See Stephen Brown, *Donors' Dilemmas in Democratization: Foreign Aid and Political Reform in Africa* (Ph.D. Dissertation, 2000) citing Africa Watch, *Where Silence Rules* (1990). Also see Jan Kees van Donge, 'The fate of an African "chaebol": Malawi's Press Corporation after democratisation' in the *Journal of Modern African Studies*, 2002. He notes 'during the early 1990s one

could see from one vantage point at Ginnery Corner in Blantyre: an outlet of the retail People's Trading Stores (PTC); a tyre retreader owned by Press; a Press woodworks and furniture factory; a Press bakery; a branch of the Commercial Bank where Press was a major shareholder. Just around the corner, out of sight, was McConnells, a wholesaler owned by Press, beside a branch of the National Bank in which Press had a stake'.

⁹⁸ Elizabeth Cromwell and James Winpenny, 'Does Economic Reform Harm the Environment: A Review of Structural Adjustment in Malawi', *Journal of International Development*, 5, 6, 1993; and Stephen Brown, *Donors' Dilemma in Democratization: Foreign Aid and Political Reform in Africa* (Ph.D. Dissertation, 2000) citing CIIR, *Malawi: A moment of truth* (1993). For instance, in 1966 ADMARC paid producers 2/3rds of the domestic free market price for their maize, but in 1972 that figure had dropped to less than 1/3rd. In 1981-82 the price rose to 2/3rds again and in 1985-86 to about one-half. According to Chanthunya, ADMARC earned about \$15m per year in the 1970s in this manner, about 4% of which was reinvested in the smallholder sector and 68% in estates. Loans worth some US\$68m were made by banks to the estates in 1979 alone. CLC Chanthunya, 'Financial and Economic Returns to Land', in *the Final Report of the Presidential Commission of Inquiry on Land Policy Reform*, vol. 3, 31 March 1999, pp. 10-12.

⁹⁹ The amount of land under estate tenure grew from 51,000 ha. before independence to 1.2 m ha by 1996 – over 20% of cultivable land. Tobacco estates predominate, created in response to high tobacco prices internationally (partly because of sanctions on Rhodesia) and Banda's policy (Special Crops Act) of prohibiting the growing of burley tobacco by anyone other than estate holders. Tony Seymour, 'Malawi: Policies for Natural Resource Management', March 1998, p. 4. Also, CLC Chanthunya, 'Financial and Economic Returns to Land', in *the Final Report of the Presidential Commission of Inquiry on Land Policy Reform*, vol. 3, 31 March 1999.

¹⁰⁰ Frederic L Pryor, *Malawi and Madagascar: The Political Economy of Poverty, Equity, and Growth* (World Bank and Oxford University Press, 1990), pp 45-47 and 81; Robin W Heanly, 'A Profile of Smallholder Crop Marketing in Malawi', *The Society of Malawi Journal*, 37, 1, 1984.

¹⁰¹ Frederic L Pryor, 'Income Distribution and Economic Development in Malawi: Some Historical Statistics', World Bank, 1988 notes that the Gini coefficient for landholdings amongst smallholder households stood at 0.369 in 1968/69 and 0.381 in 1984/85. The Gini coefficient for income for smallholder families in 1968/69 was 0.203, for people in small towns, 0.466 and in major towns, 0.660. The national average was 0.448. In 1984/85 the Gini Coefficient for income for smallholders was 0.453 and 0.621 for people in major towns. The national average was then 0.599.

¹⁰² Frederic L Pryor, *Malawi and Madagascar: The Political Economy of Poverty, Equity, and Growth* (World Bank and Oxford University Press, 1990), pp. 45-47. GHR Chipande, 'The Performance of the Malawian Smallholder Agricultural Subsector, 1968/69 to 1984/85', mimeo, Oct 1987; and Government of Malawi and UN in Malawi, *Situation Analysis of Poverty*, Lilongwe, 1993, pp.55-57 and 124-25.

¹⁰³ Government of Malawi and United Nations in Malawi, *Situation Analysis of Poverty in Malawi*, 1993, p. xviii. Those figures were up to 200,000 young graduates chasing 30-35,000 jobs in 2000. *Weekend Nation*, 22-23 July 2000. Only 5% of the work force has formal employment, leaving over 300,000 self-employed, most in the informal sector.

¹⁰⁴ Dr. Banda hoped to carve off a large portion of northern Mozambique, thereby opening up land for Malawians and giving Malawi an outlet to the sea. For details of Banda's involvement in the Mozambican war see Phyllis Johnson and David Martin, (eds.), *Destructive Engagement*, Zimbabwe Publishing House, 1996.

¹⁰⁵ Frederic L Pryor, *Malawi and Madagascar: The Political Economy of Poverty, Equity, and Growth* (World Bank and Oxford University Press, 1990), pp. 83-85. For the current government's view of those years, see Government of Malawi, *Poverty Reduction Strategy Paper: Final Draft* (April 2002).

¹⁰⁶ Wycliffe Chilowa and Ephraim W Chirwa, 'The impact of SAPs on social and human development in Malawi', *Bwalo*, 1, 1997.

¹⁰⁷ Elizabeth Cromwell and James Winpenny, 'Does Economic Reform Harm the Environment? A Review of Structural Adjustment in Malawi', *Journal of International Development*, 5, 6, 1993, citing Government of Malawi, *National Atlas of Malawi*, 1983. Stephen Brown, *Donors' Dilemma in Democratization: Foreign Aid and Political Reform in Africa* (Ph.D. Dissertation, 2000).

¹⁰⁸ Jan Kees van Donge, 'The fate of an African "chaebol": Malawi's Press Corporation after democratisation' in the *Journal of Modern African Studies*, 2002.

¹⁰⁹ Jan Kees van Donge, 'The fate of an African "chaebol": Malawi's Press Corporation after democratisation' in the *Journal of Modern African Studies*, 2002.

¹¹⁰ Government of Malawi, *Poverty Reduction Strategy Paper: Final Draft* (April 2002).

¹¹¹ Guy Mhone. 'The Political Economy of Malawi: An Overview', in Guy C.Z. Mhone (ed.), *Malawi at the Crossroads: The Post-Colonial Political Economy* (SAPES Books, 1992), pp. 29-31. While supporting the government throughout this period, the World Bank later said that Dr. Banda's policies were both 'unsustainable and irrelevant to the vast majority of the rural population [and] ... created obstacles to future growth and actually harmed the poor'. For instance, ADMARC's exclusive right to sell inputs and its subsequent high prices kept subsistence farmers from taking up some important agricultural technologies, especially fertiliser. World Bank, 'Accelerating Malawi's Growth: Long-term Prospects and Transitional Problems', Sept 1997, p.1. Also for policy, see CLC Chanthunya, 'Financial and Economic Returns to Land', in the *Final Report of the Presidential Commission of Inquiry on Land Policy Reform*, vol. 3, 31 March 1999.

¹¹² Explaining why Malawians turned against Banda in the 1990s and not earlier, Lwanda stated that by the early 1990s 'hunger, drought, famine and ultimately poverty, the driving force in Malawi politics', had become a factor. Stephen Brown, *Donors' Dilemmas in Democratization: Foreign Aid and Political Reform in Africa* (Ph.D. Dissertation, 2000), citing John Lwanda, *Promises, Power Politics and Poverty: Democratic Transition in Malawi*, 1996. cf. Nicolas van de Walle, *African Economies and the Politics of Permanent Crisis, 1979-1999*, 2001, who has not found a statistical relationship between Africa's transitions in the 1990s and increased rates of poverty or failed economic policies.

¹¹³ World Bank, 'Accelerating Malawi's Growth: Long-term Prospects and Transitional Problems', Sept 1997 and Government of Malawi, *Malawi Poverty Reduction Strategy Policy: Final Draft* (April 2002).

¹¹⁴ Stephen Brown, *Donors' Dilemmas in Democratization: Foreign Aid and Political Reform in Africa* (Ph.D. Dissertation, 2000).

¹¹⁵ Larry Diamond, *Developing Democracy: Toward Consolidation* (1999), Chpt 6.

¹¹⁶ The exception was the three days of *Operation Bwezani* in December 1993, when the army forcibly disarmed the Malawi Young Pioneers. See Kings M Phiri, 'A Case of Revolutionary Change in Contemporary Malawi: The Malawi Army and the Disarming of the Malawi Young Pioneers' in *Journal of Peace, Conflict and Military Studies*, 2000.

¹¹⁷ Diana Cammack, 'The Democratic Transition in Malawi: From Single-party Rule to Unity in a Multi-party State', in John Daniel, *et al* (eds.), *Voting for Democracy in Africa*. (1999) citing *Africa Information Afrique*, 2 Nov 1992; British House of Commons, 22 Feb 1993: meeting with PAC, AFORD and UDF delegation; and Daniel N. Posner, 'Malawi's New Dawn', *Journal of Democracy*, 6, 1, 1995.

¹¹⁸ Stephen Brown, *Donors' Dilemmas in Democratization: Foreign Aid and Political Reform in Africa* (Ph.D. Dissertation, 2000) citing Bob Leverington of Dfid Malawi, 1997.

¹¹⁹ See Stephen Brown, *Donors' Dilemma in Democratization: Foreign Aid and Political Reform in Africa* (Ph.D. Dissertation, 2000) on the similarity of party platforms and UDF promises about economic reforms (renewal of labour migration to South Africa and easy fertilizer terms) that could not be kept. For an example of liberal rhetoric, see Jan Kees van Donge, 'The fate of an African "chaebol": Malawi's Press Corporation after democratisation' in the *Journal of Modern African Studies*, 2002, 'When the Malawi government moved to take control of Press in 1996, it blamed economic concentration for "sluggishness in economic growth" and gross income inequality. The way forward was to liberalise the markets dominated by the big conglomerates. The result would be innovation, competition and the broad participation of Malawian entrepreneurship'.

¹²⁰ Diana Cammack with Cuthbert Mwale, 'Reparations in Malawi, 1992-2002' in forthcoming volume by International Committee for Transitional Justice.

¹²¹ The following discussion of policy is derived from Government of Malawi, *Poverty Reduction Strategy Paper: Final Draft* (April 2002).

¹²² Interview with Nick Marshall, 20 May 1998.

¹²³ Jan Kees van Donge, 'The fate of an African "chaebol": Malawi's Press Corporation after democratisation' in the *Journal of Modern African Studies*, 2002.

¹²⁴ Diana Cammack, *Malawi at the Threshold*, 2001, citing CLC Chanthunya, 'Financial and Economic Returns to Land', in the *Final Report of the Presidential Commission of Inquiry on Land Policy Reform*, vol. 3, 31 March 1999, pp. 50-52. In 2000 the World Bank stated that the 'liberalisation of burley tobacco

production alone generated around US\$185 million of revenues for the rural sector'. Cited in the Government of Malawi, *Malawi Poverty Reduction Strategy Paper: Final Draft* (April 2002), p. 15.

¹²⁵ Further, Kings M Phiri, 'Party Ideologies and Programmes' in Martin Ott, Kings M Phiri and Nandini Patel, eds., *Malawi's Second Democratic Elections: Process, Problems and Prospects*, 2000, notes that the obstacles to implementation of the poverty alleviation programme have included depreciation of the kwacha, inflation, reduced purchasing power and loss of public confidence in the UDF, the negative attitudes of opposition parties, and the weak community self-help spirit and interest in pursuing collective goals. Also, the programme has been politicised, 'using it to reward constituencies that are loyal to the UDF at the expense of those' opposed. The programme is also susceptible to bureaucratic incompetence and waste.

¹²⁶ *The Nation*, 17 Feb 2003 notes that of the 1.2 million pupils who registered for Standard 1 at the beginning of the free primary education initiative in 1994, only 300,000 have made it to Standard 8. In 1995 only 21% of candidates who wrote their MSCE exams passed. That figure was 16% in 1998, 13% in 1999 and 18% in 2001. Only 1,500 teachers out of 4,700 secondary teachers are qualified and the ministry needs another 8,000 teachers. Forty percent of teachers die of AIDS each year. Teachers' salaries are often delayed (by as much as two months), so many have started businesses to ensure their livelihoods. Budgetary support to the ministry dropped from K1.7bn to K1.6bn between 2002 and 2003 (not accounting for inflation). Most ACB cases relate to corruption within the Ministry of Education.

¹²⁷ Government of Malawi, *Poverty Reduction Strategy Paper: Final Draft* (April 2002).

¹²⁸ Malawi Economic Justice Network, 'How are Services Delivered to the People in Malawi: Results of the Service Delivery Satisfaction Survey', n.d. [2003].

¹²⁹ Malawi has remained on the wrong side of the 'digital divide' because the development of communications – internet, cell phones, radio and TV – was delayed by the rent-seeking behaviour of ministers. ARTICLE 19, *Malawi: Communications Reform and Freedom of Expression* (London), Oct 1998. For investment see *Nation*, 17 Aug 1999; *Daily Times*, 30 June 2000; CLC Chanthunya, 'Financial and Economic Returns to Land', and F Liuma, 'Land Administration', both in *Final Report of the Presidential Commission of Inquiry on Land Policy Reform*, vol. 3, 31 March 1999. President Muluzi complained about the 'sloppy work ethic' of civil servants, 'most [of whom] ... report for duties late and knock off early'. PANA, 6 July 2000. An unpublished survey done by the World Bank for the 1997 World Development Report ranked poor infrastructure, crime, and inflation as the greatest impediments to business. In late 2001 the IMF representative said that the government must demonstrate transparency and openness as these are 'real incentive[s] to investors who value the rule of law, the enforceability contracts and the efficacy of the legal system...' *Daily Times*, 1 Nov 2001.

¹³⁰ World Bank, *Malawi Public Expenditures: Issues and Options*, June 2001, and Malawi Economic Justice Network, *Civil Society Briefing Issue 16*, n.d.

¹³¹ Jan Kees van Donge, 'The fate of an African "chaebol": Malawi's Press Corporation after democratisation' in the *Journal of Modern African Studies*, 2002.

¹³² See World Bank, *Malawi Public Expenditures: Issues and Options*, June 2001, where it is noted that parastatal 'performance is poor'. Tariffs charged by parastatals are often below cost-recovery (e.g., the cost of stamps covers 20% of printing stamps and distributing mail). Operations are also inefficient – e.g., the post office has 2000 employees but a quarter of them are not needed. The consumer to staff ratio at ESCOM (electricity supply) is 37 compared to 80 in Uganda. Arrears are owed to parastatals, often by government, and not collected. They are unable to pay their debtors and borrow at high rates of interest. Government is often required to take over the parastatals' debts – e.g., GOM took over the NFRA (strategic grain reserve) debt of K600m in January 2001.

¹³³ According to Sammy Madiba, 'Report on the State of Affairs in Malawi', OSISA, 2001, 'in his 2001/02-budget statement, the Minister of Finance and Economic Planning, Dr Matthews Chikaonda, lamented the collapse of the private sector and the dismal performance of parastatal corporations. He attributed the absence of development in these bodies to the political patronage that evidently influences appointments to the boards of directors of these organizations. The Minister observed, for instance, that many of the political activists who currently sit as directors on the boards have neither knowledge nor capacity to meaningfully guide the institutions concerned. A part from the problem cited by Dr. Chikaonda, it is also widely believed that the government appoints UDF political campaigners to the boards of government with a view to their facilitating the exploitation of these organizations as sources of funds for political campaigns. Consequently, qualified managers and other technically competent personnel are either

dismissed if they try to operate professionally, or are forced to succumb to the directors' political will in order not to lose their jobs'.

¹³⁴ 'Malawi Revenue Authority Boosts Revenue Collection', *The Insider*, 31 Aug 2002. This article notes that the MRA is unable to meet its target for 2002-03, forcing government to 'downsize its revenue base'. On the other hand DFID Malawi reports that the MRA collects 22% of GDP in tax, which is twice the rate of other better performing African states. Email to Cammack, 10 Dec 2003.

¹³⁵ *Daily Times*, 20 July 1999.

¹³⁶ Wycliffe Chilowa and Ephraim W Chirwa, 'The impact of SAPs on social and human development in Malawi', *Bwalo*, 1, 1997; *Weekend Nation*, 22-23 July 2000; Cammack interview with Nick Marshall, 20 May 1998; National Economic Council, *Qualitative Impact Monitoring of Poverty Alleviation Policies and Programmes in Malawi, 1: Research Findings*, n.d., 1999; Elizabeth Cromwell and James Winpenny, 'Does Economic Reform Harm the Environment? A Review of Structural Adjustment in Malawi', *Journal of International Development*, 5, 6, 1993.

¹³⁷ OXFAM America, 'Structural Adjustment Programs in Humanitarian Emergency', 15 Aug 2002; World Development Movement, 'IMF blamed for Malawi's Famine', 29 Oct 2002; Oxfam Briefing Paper, 'Death on the Doorstep of the Summit', Aug 2002; Pauline E Peters, 'Failed Magic or Social Context? Market Liberalization and the Rural Poor in Malawi', 1996; Adrian Fozzard and Chauncy Simwaka, 'How, When and Why does Poverty get Budget Priority: poverty reduction strategy and public expenditure in Malawi', ODI, May 2002. According to Ismail I Ahmed and Michael Lipton, 'Impact of Structural Adjustment on Sustainable Rural Livelihoods: A Review of the Literature' (IDS paper 62, n.d.): 'In general, extreme land inequality means that the 'pro-tradables' effects of adjustment will lead to an anti-poor distribution of rural gains, especially because there will be many net food buyers; but the blame lies with extreme inequality, not with price adjustment'.

¹³⁸ Nicolas van de Walle, *African Economies and the Politics of Permanent Crisis, 1979-1999*, 2001, notes that it is still not clear whether it is SAP or the failure to implement the policies that is to blame for economic stagnation in Africa. African governments have a vested interest in blaming the policies, rather than non-compliance while donors have a vested interest in doing just the opposite.

¹³⁹ Government of Malawi, *Poverty Reduction Strategy Paper: Final Draft* (April 2002), pp. 12-13.

¹⁴⁰ Simply, governance is defined as the traditions and institutions by which authority is exercised. This includes first, the process by which those in authority are selected and replaced (voice and accountability, political stability and the absence of violence); secondly, the capacity of government to formulate and implement policies (government effectiveness and regulatory quality) and thirdly, the respect of citizens and state for institutions that govern interactions among them (rule of law, control of corruption). See Daniel Kaufmann, Aart Kraay and Massimo Mastruzzi, *Governance Matters III: Indicators for 1996-2002*, World Bank, 10-13 May 2003 and D. Kaufmann and A. Kraay, 'Growth without Governance' *Economia*, 2000, Malawians define good governance as consisting of three elements, political will and mindset, security and justice, and responsive and effective public institutions. See 'Democracy Consolidation Programme Phase II: 2002-2006, Programme Support Document', June 2002, p. 4.

¹⁴¹ Some benchmarks might include the use of the 'doctrine of necessity' in 1997 to justify government behaviour in 1996, the refusal of UDF to re-establish local government for six years, the refusal of MBC and TVM to comply with court orders to 'open up' to opposition candidates during the 1999 election, the refusal to prosecute key cabinet officials for corruption, and the 'buying' of MP's support for the Open Term Bill (2003) – all done with impunity and donors' silence.

¹⁴² These problems are to be tackled through civic education, rights protection, elections, and capacity building of parliamentarians, transparency and accountability, the media, legal reforms and an improved system of justice, and industrial relations. 'Mid Term Evaluation of the Democracy Consolidation Programme' (IMCHRD and UNDP, 9 May 2000).

¹⁴³ They therefore suggest a programmatic approach to improve governance: better 'initiatives' are needed – with improved coordination, capacity, and funding – including programmes to combat corruption, improve public participation and government leadership, and to translate constitutional provisions into action. 'Democracy Consolidation Programme Phase II: 2002-2006, Programme Support Document', June 2002, pp. 5-6.

¹⁴⁴ This raises the question of the importance of a democratic culture, and the influence of previous – colonial and single-party regimes – on democratic consolidation, as well as the role a truth commission might have played to remove anti-democratic personalities, structures and laws.

¹⁴⁵ The action of the opposition is important here too, for Mr. Chihana of AFORD has been preoccupied with increasing his role at the centre of government and with forming a 'government of national unity' (not necessarily conducive to the growth of a multiparty democracy). Nor were the initial moves of the MCP (e.g., in appointing leaders of parliamentary committees) particularly accommodating. Distrust between the parties also has its roots in the personalities and histories of their leaders (some of whom had long and antagonistic associations bordering on hatred). Another source of antagonism was the Press empire: denying the MCP the wealth and power that Press companies brought, and opening up the economy (by undermining Press companies' control of it) were important to the businessmen in the ruling party and AFORD.

¹⁴⁶ One exception could have been the UDF attempt to gain control of the Press companies but even this was being privately negotiated before the Press Trust Reconstruction Act was passed.

¹⁴⁷ Maxton Grant Tsoka, 'Public Opinion and the Consolidation of Democracy in Malawi', Afrobarometer Paper No. 16, January 2002. Tsoka is not making the same argument as I am here, but his survey (soon after the 1999 election) showed that while most people voted, few were involved in, knew about or were concerned with politics. Few interacted with government officials or their MPs. 'Respondents' perceptions of their ability to affect their own lives or politics in general may be one of the explanations for these low levels of participation in activities and meetings that matter. Moreover, the inclination to attend meetings like political rallies, where the flow of information is largely one-way and attendees are only recipients of views, may also be due to the perception that their voice would have limited impact'. Also 'the National Assembly is perceived as the least corrupt, but even here 31 percent of respondents believe that most or all of assembly members are involved in corruption, and nearly half believe that the majority of civil servants are guilty'.

¹⁴⁸ For details of the 1999 campaign see ARTICLE 19, *At the Crossroads: Freedom of Expression in Malawi* (2000). Already in mid-2003 Mr. Muluzi and cohorts were distributing food aid at their rallies, opposition meetings were being violently broken up by youth, national resources were being used by the UDF to campaign, and the opposition was still denied access to the public media.

¹⁴⁹ See Diana Cammack, *Malawi at the Threshold* (2001) and Maxton Grant Tsoka, 'Public Opinion and the Consolidation of Democracy in Malawi', Afrobarometer Paper No. 16, January 2002.

¹⁵⁰ Before the transition Dr. Banda and his close associates benefited from their corrupt use of public funds, but fraud was not tolerated in the civil service or Press companies, and even senior people were imprisoned by the President for theft. A culture of fear permeated the society. Corruption is now suspected to exist at the highest levels (because the liberated press reports it). But because there have been few prosecutions of corrupt politicians, bureaucrats at all levels feel they can steal or take bribes with impunity. *The Weekly Chronicle*, 10-16 July 2000 noted that the Danes presented a report on corruption in government at a Consultative Group meeting that highlighted the difficulty the Auditor General faces as files containing evidence often mysteriously disappear. The paper went on to provide examples, e.g., a drilling company owned by government minister, was contracted by MASAF (a World Bank-funded project) to drill boreholes, though they often do not meet requirements of 60 metres deep, but stop at 29-30 m and dry up and are abandoned. Each hole costs K209,000 and this firm has drilled 360 so far. According to Transparency International, Malawi's 1999 'perception of corruption index' rating was 4.1, about the same as Zimbabwe and Brazil. By 2002 it had fallen to 2.9, about the same as Senegal and Argentina (www.transparency.org). See *Annex 6*.

¹⁵¹ The question of 'political will' was raised in an interview, where the informant reminded the author that 'lack of political will' is not the problem. Instead, many in power have a positive, proactive, desire, 'the will', to behave in ways that benefit themselves rather than the commonweal. Cammack interview with Paul Russell, 12 Aug 2003.

¹⁵² Compare this to, say, Uganda where there are several dozen FM broadcasters in the rural areas, all pumping out independent news and comments, many of which are anti-government.

¹⁵³ Emails to Cammack from DFID Malawi, 10 Dec 2003 and from USAID, 16 Dec 2003.

¹⁵⁴ ODI email to Cammack, 16 Dec 2003. Also see UNDP & UNICEF, *The Millennium Development Goals in Africa: Promises and Progress*, June 2002; and David E Sahn and David C Stifel, 'Progress Toward the Millennium Development Goals in Africa', June 2002.

¹⁵⁵ See Oliver Morrissey, 'Pro-poor Conditionality for Aid and Debt Relief in East Africa', CREDIT, Sept 2001.