

DISCUSSION PAPER 05/2019

# Malawi's May 2019 Elections

The Need to Align Politics and Policy  
with the People's Needs

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*Strengthening Africa's  
economic performance*





## Executive Summary

Malawians go to the polls on Tuesday 21 May 2019. Despite years of policy plans and extensive donor assistance, Malawi remains firmly rooted among the poorest nations worldwide. This is partly down to a pernicious political-economy, one fraught with monopolies and vested interests, less interested in growth than maintaining control. No country ever developed through subsistence agriculture, and Malawi is no different. Perhaps this time round these elections will be different. The candidates at the first presidential debate promised that. But realising this promise will require aligning politics, policy and the needs of Malawi's burgeoning population.

*'My father's generation was concerned about the economy of that time. The world has moved on. Technology has changed. Today's younger generation are far more exposed to the world than ever before, they are more in tune, and their expectations are different.'*  
– Atupele Muluzi, March 2019

## Introduction

On 29 March, Lilongwe's Bingu wa Mutharika International Conference Centre was the scene of the first Presidential Debate in Malawi's 2019 election. Challengers Vice President Saulos Chilima, Minister of Education Atupele Muluzi and Lazarus Chakwera of the Malawi Congress Party squared up in front of a crowd of around 1 000 and a live television audience.

It was quite the social occasion. Big, colourful dresses and elaborate hairstyles were on display. Donors and diplomats filled the right-hand side of the front few rows. Physically challenged attendees had their own row while signers for the hearing impaired worked away in the aisles.

The three contenders stood while providing two-minute answers switching between English and Chichewa, carefully scripted to sometimes long-winded questions.

Malawi has come a long way, at least politically. It's impossible to imagine such a scene, and the boisterous crowd clapping, cheering and jeering, in Kamuzu Banda's time when the population lived in fear, and whispers, rather than free speech, were the order of the day.

But there are limits to this progress.

The current President, Arthur Peter Mutharika, chose not to pitch up. Some said he did his campaign less harm that way. Accountability on governance and delivery is routinely poor. But the opposition has not helped by splitting its supporters three ways.

Malawi, like other countries, is policy rich but implementation poor. The policy sounds about right, and there are lots of institutions and processes which look right, but which don't work right – what is termed 'isomorphic mimicry'.<sup>1</sup>

This is not the only disjuncture. Governance, skills, policy, data, foreign relations and the elite mindset are all misaligned to deal with the core problems of poverty, corruption, monopolies, and a lack of diversification.

During Kamuzu's time, everything was micro-managed from the top, fly-whisk in the hand of the waist-coated and top-hatted elder in the Church of Scotland. His immediate successor Bakili Muluzi, father of Atupele, retained Banda's power structure.

And so too have those that have followed.

Notably none of the candidates at the debate focused on the importance of growth. Their focus was on redistribution. Yet effective redistribution depends on making a surplus and not just making savings through cutting out corruption, a blight which all in the debate stressed given the historically poor rent-seeking record of government.

As ever, politics is the problem. While solutions look technically correct on paper, often to rhetorically please the donors who give almost as much money annually (US\$1.1 billion) as the budget (US\$1.5 billion), government seldom wants or believes in them. Even though they have toughened up on governance and limited direct budget support since the Cashgate scandal which afflicted President Joyce Banda's government in 2014, the impact of donor spending is reduced through a large number of projects.

Some other questions remain the same. The first half of the Presidential Debate was dominated by questions on agriculture:

- ▶ land ownership (where women are unable to own land in some parts);
- ▶ climate change;
- ▶ environmental management;
- ▶ the Green Belt initiative;
- ▶ the effectiveness of the Farm Input Subsidy Programme (FISP);
- ▶ the inclusion of women; and
- ▶ the future of tobacco, Malawi's principal export, which Atupele Muluzi described as 'our gold'.

The prominence of agriculture is hardly surprising for a country where 84 per cent of the population lives in the rural areas, and where, in the estimation of the Reverend Chakwera, 80 per cent of them are dependent on farming.

Tobacco farmers are the lucky ones, producing a cash crop for international markets. It's the ideal crop in other ways – it's hardy, lasts for a long time, is (in the case of Malawi's burley variety) air-cured, and is very labour intensive. One hectare of tobacco produces 375 000 leaves for tying individually. The country produced 160 000 hectares (or 163 000 tonnes) of burley tobacco in 2018.

The majority of Malawians remain, however, locked into subsistence farming, eking an existence from a plot of maize with, occasionally, soya or ground-nuts on the side.

Malawians enjoy, if that's the right word, an average per capita income of just US\$420, only twice that at independence in 1964. It remains locked today, as then, among the five poorest countries in the world. This is an average with many of the 2.5 million farmers countrywide earning little more than US\$75 per year.



Over 80 per cent of Malawians live in the rural areas, where poverty is at its worst. Malawi's 2010 poverty rate was 71%, an increase from 64 per cent in 1997.

Continued poverty reflects Malawi's population increase from under four million in 1964 to 19 million today. In fact, GDP has increased by ten times in real terms since 1964, though the population increase has nullified half of the gain.

Today more than half the population is under 18. And the projection of a 45 million population by 2045 does not give heart. Nor do the bands of young men lounging around from village to village. This is a country where farmers struggle to meet their daily calorific requirements, most living below the poverty line, and where the annual milk consumption is a measly five litres per person, against the World Health Organisation's recommended minimum of 42 times that volume, and well below the African and global averages of

37 litres and 104 litres respectively. Population is increasing faster than opportunities.

The reason for continued poverty is related to the varying strength of the connection to international markets. This can be seen in the status of those farmers contracted to tobacco producers through the Integrated Production System (IPS), which provides fertiliser, seedlings and other inputs including technical advice and training in the field in return for a guaranteed market and price, reducing the farmers' risk and enabling them to increase their yields. Training and monitoring is essential in a country where literacy is at 62 per cent and secondary school enrolment just 31 per cent.<sup>2</sup>

Their tin roofs and live-barns, made from living Acacia trees, are a sure sign of the IPS farmers' relative wealth, along with their livestock and ubiquitous two-ton trucks and oxcarts. Farmers contracted on the IPS have to maintain different standards, not least of which is ensuring no child labour is used.

The problem is that the global tobacco market is stagnant, otherwise more Malawians would get onto this system and *get globalised* as a result.



Malawi's population increased from under four million in 1964 to 19 million today. More than half the population is under 18. The population is projected to reach 45 million by 2045.

The morning following the Presidential debate I encountered Serious Chimpanje cycling along the Chitukula Road, north-west of Lilongwe, notable for his bright green and yellow Australia cricketing shirt and 20kg bundle of tobacco strapped to his bicycle's carrier. He was taking them to the local trading centre 'because I need food' he said. He was likely to get just 220 Malawian Kwacha per bag – about US\$0.30 and about one-sixth of what

an IPS farmer might expect, a price at which only the middle-man could be profiting from his toil.



*The road to Chitukula, Serious Chimpanje and his cheap 20kg tobacco bundle*

No country has ever developed from subsistence farming. Malawi's challenge is to commercialise and diversify. To do that, it requires a government that makes decisions in the interests of the majority. Not a common Malawian government trait where monopolies and vested interests rule.

The upside is obvious, and huge. This is a poor country where a small uptick in wealth is relatively large. It has notable advantages, including rich soils and plenty of water. It can offset the disadvantages of location by employing an underutilised rail network, where transport costs are half as much as road. And it has the basis of a usable and replicable agriculture extension and market system in the tobacco business. This will require aligning politics, policy and the needs of Malawi's burgeoning population.



*To gain access to regional markets, greater effort will have to go into improving the run-down train system.*

Malawi's example underscores two questions which will shape the course for African economic growth in the future: Where will burgeoning populations find employment, and which sectors might

provide these jobs?<sup>3</sup> Yet what happens if government does not want to change? Are there other mechanisms for driving reform and increasing production in a poor country like Malawi?

## Big Questions

Over the next generation the continent is projected to double its population to 2.5 billion. Jobs, already at a premium, will depend on Africa creating more opportunities by training its people with more than just rudimentary skills, providing necessary infrastructure, and creating an attractive value proposition to investors which will lead to further growth and employment.

Part of the answer lies in the potential of agriculture. With Africa's food market projected to be worth over US\$1 trillion by 2030 (let alone the export promise), a revolution in agriculture would present a substantial investment opportunity. Africa has never had a shortage of land. The continent is endowed with almost half of the world's stock of uncultivated arable land, at 200 million hectares.<sup>4</sup> Yet Africa's annual food import bill is US\$35 billion and is expected to rise to US\$110 billion by 2025.<sup>5</sup> Exports are worth 65 per cent the value of imports, resulting in a trade deficit of US\$22 billion on food and agricultural products.

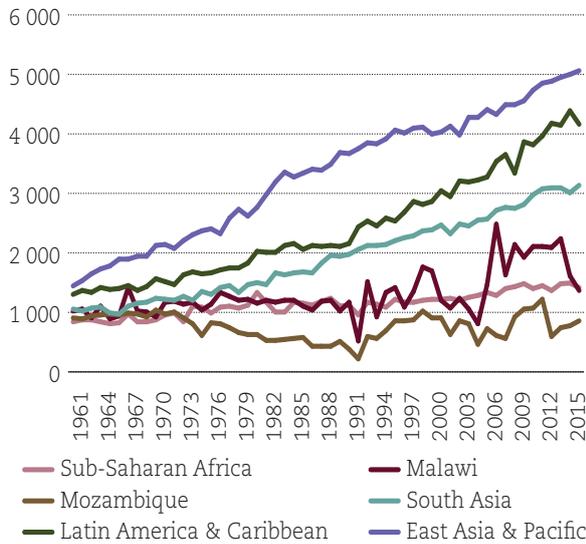
Two things have the potential to get Africa feeding itself: yields and value-addition. The one makes it profitable for a smallholder to farm on a small piece of land; the other creates employment opportunities downstream. Higher yields and value-add depend on an intricate web of infrastructure, good governance and policy support, logistics, R&D, and a dose of creative entrepreneurship.

The poor performance of Africa's cereal yields tells a story of limited land collateralisation and uncertain ownership, a lack of mechanisation and modern seed varieties, limited irrigation, and conflict – a failure to experience the sort of green revolution which has propelled other developing countries down a development path.

The importance of agriculture is sometimes understated in East Asia's successful development path, the stress usually being on

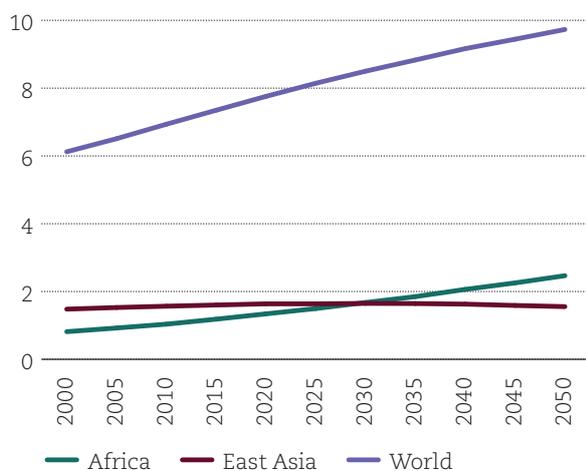
market-friendly policies, institution-building, export-led manufacturing and educational quality.

**Figure 1: Cereal Yield (kg per hectare)**



Asia's path to a more prosperous future started with land reform. The countries that conducted this aspect best – including Taiwan and its 'land to the tiller' programme for example – grew fastest.<sup>6</sup> Experience across the region, including once avowedly Communist states such as China and Vietnam, illustrate that farmers produce more when they can capture the value of the land and their labour. Land reform proved a powerful incentive to growth in East Asia as farmers were incentivised to produce more.

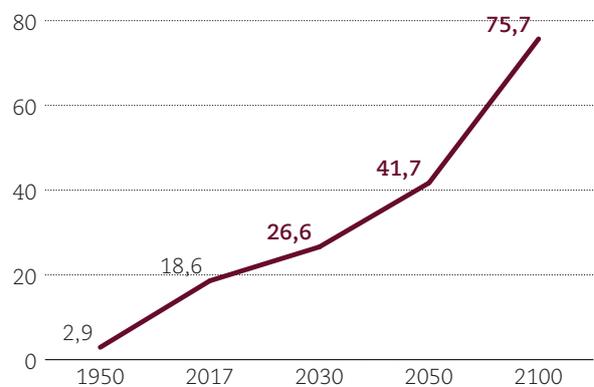
**Figure 2: World Population Growth Projections**



This has reinforced a regional pattern and model of growth that has been surprisingly uniform in recent history: Rising agricultural productivity spurs overall economic growth, reducing labour concentration in this sector, freeing it up for other tasks notably in the urban sector. This results in a rise of modern industrial and services activities, along with the migration of rural workers to cities. As Harvard's C. Peter Timmer points out, it is often associated with a 'demographic transition characterised by rapidly falling mortality rates, slowly falling fertility rates and a subsequent period of rapid population growth, together offering a demographic dividend 'when dependency rates drop to low levels'.<sup>7</sup>

Malawi faces a stupendous population increase over the next 35 years. Its population at independence in 1964 was just 3.8 million. Fifty years later it crossed the 16 million mark, and it is projected to rise to over 40 million in 2050, even by the most conservative United Nations' estimate.<sup>8</sup>

**Figure 3: Malawi Population, Historical and Projected**



Such population growth will place considerable pressure on land. In the central region the average farm plot is around one hectare. In the richer farming areas of southern Malawi it is half this size, where population growth is, in the words of one commercial farmer, '15 years ahead of the central region'.

Figure 4: Malawi: People per km<sup>2</sup>

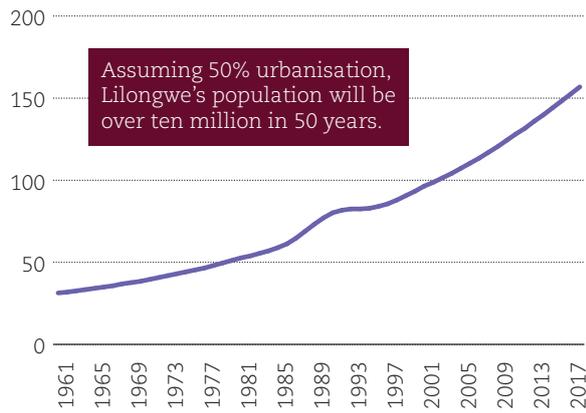


Figure 5: Malawi: GDP per Capita (US\$)

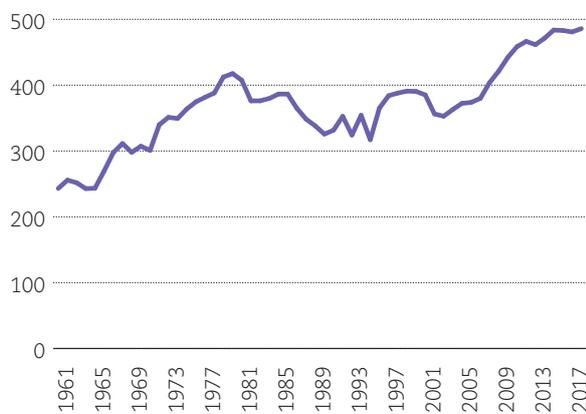
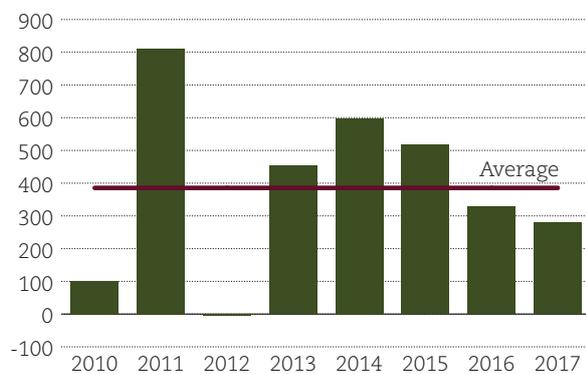
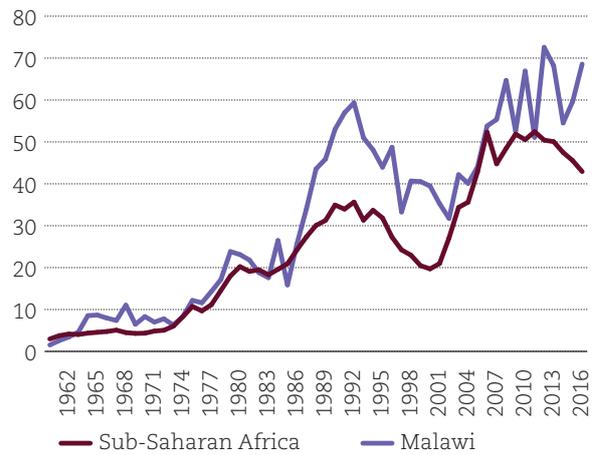


Figure 6: Malawi FDI (million US\$)



The effect of this population growth will be to reduce plot sizes still further as land is passed down the family line. Compounding this vicious and seemingly never-ending cycle is the fact that yields of crops have remained low; a doubling of yields would have a dramatic effect.

Figure 7: Malawi: Net ODA per Capita (US\$)



Malawi is vying with the likes of Burundi, Niger, Democratic Republic of Congo and the Central African Republic to be officially the world's poorest country in terms of per capita income, which was, as noted above, under US\$500 (in real terms) in 2018. Statistics show Malawians are more than three times poorer than Zambians.

Yet Zambians, who in 2017 earned US\$1 635 per person (around the sub-Saharan African average),<sup>9</sup> are already very poor by global standards, where the average income was over US\$10 600. Put differently, if Malawi is to reach lower middle-income status (US\$996 currently) it will have to grow its economy at an average of 13 per cent for the next 10 years, or 6 per cent for 30 years (not taking inflation into account). To achieve the bottom end of 'upper' middle-income status (US\$3 896–US\$12 055) will require an annual average of 30 per cent growth for 10 years.

Fresh economic opportunities in Malawi are few and far between. The country averages US\$380 million annually in foreign direct investment.<sup>10</sup> This is in part because it's a difficult place to do business, although this has improved in recent years, ranking 111th out of 190 countries surveyed on the World Bank's *Ease of Doing Business* index.<sup>11</sup> Governance remains weak and blighted by corruption.

Tourism, once a big earner from South Africa, provided only US\$481.5 million in income in 2017, ranking Malawi just 14th in the Africa tourism table.<sup>12</sup> This also explains why the donors are the

biggest players in town, averaging US\$1.1 billion in annual inflows since 2010, accounting for around 20 per cent of the economy.

Now, the challenge for Malawi has expanded with globalisation and peace in southern Africa. New competitors have emerged, including next door, Mozambique, once also the world's poorest nation, with a per capita income of just US\$160 in 1996. Yet Malawi's GDP as a share of Mozambique's has fallen from 250 per cent in the mid-1980s to less than parity today.

## New Systems and Approaches

Any grocery list of components to solve Africa's agriculture yield problem usually includes the following:

First, the imperative to drive economies of scale allowing for a higher level of efficiency. A second is the appropriate technology, from seed to techniques and fertiliser, all of which is grounded in scientific research. Third, for technology to thrive, a Venture Capital (VC)-ecosystem which ensures funding and support to entrepreneurs is deemed essential. Fourth, this has to be underpinned by policies which support farmers, smallholders in particular, through secure land rights, training and subsidies to promote the adoption of yield-improving technologies. The fifth requirement is for micro-finance and insurance for farmers to de-risk the process of adaptation to new technologies, and the sixth is the imperative for a healthy dose of good stories and the ability to learn from them.

Often, when the seemingly 'right' technologies are not taken up by smallholders, it is said that they are unable to adapt due to lack of skills, or internet access. The converse is striking: if the technologies are not adopted, they are probably not the right technologies for the context.

Since technological solutions exist to most problems, the challenge is twofold: Ensuring the

governance and ownership issues that stand in the way of its adoption are removed; and also changing the incentives – for example, that if African farmers produce more and at a better quality, then they can profit from this by being able to get their goods to market where they would receive a fair price.

If technology offers the hardware, a better software, too, is necessary. Overall, the model needs to be changed from 'agriculture' to 'agribusiness', as this is the only way to move from subsistence farming to farming for surplus. This is why, for example, smallholder outgrower farming schemes in Malawi and Mozambique around tobacco have prospered, given there is an underlying commercial imperative and system, which does not go away when a donor shifts attention.

## The Malawi Conundrum

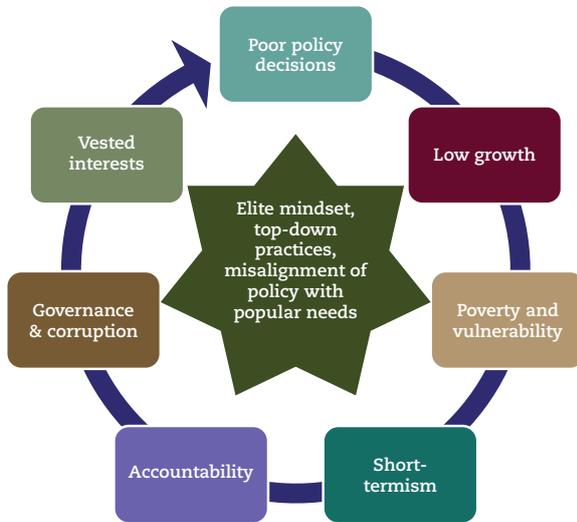
Malawi's options are limited. Its development alternatives to tobacco are hampered by geography, government preference for short-termist policy, poor human and financial capital reserves, and its relative diplomatic isolation.

Malawi's Vice President, Saulos Chilima, wastes no time in identifying three major challenges facing the country: environmental degradation, high population growth, and rural-urban migration of around 7 per cent annually. The problem, Chilima observes, is the political aspect of the political-economy 'which dominates here. We know what the problem is, and what we have to do. We need just to do it. But,' he says, 'to do so we need a real and serious political shift. We need people who do not care about winning the next election, but want to do the right thing regardless.'

Malawi's challenges can, in this regard, be summarised in terms of an 'exclusive growth' political-economy cycle as portrayed below, explaining why some policies occur and why some have never changed since Kamuzu Banda's time,

because the incentives for control and privilege trump those for change and growth.

### Malawi's Low Growth Political-Economy



This helps to enlighten why, for example, as much as 80 per cent of export and import traffic is carried on road, which is twice as expensive as by rail. The connections of politically-exposed persons with trucking firms is mentioned as the most likely reason, starting during Bakili Muluzi's presidency. It explains why trade and tariff policy is a complete mess and is shaped according to the needs of special interest groups; or why government pretends to reform or structure the correct institutions, but things just continue as before; or why the pie remains small and the established private sector remains small and under the control of a tiny group; or why the bureaucratic response remains tardy and the country has failed to open up tourism and improve its competitiveness in such offerings; or why the country failed fundamentally to respond to a changed world after its own political 'independence' in 1994.

And there is a critical human dimension. More than half (57 per cent in rural areas where most live) of Malawians live below the poverty line, and one-quarter live in extreme poverty. Using the international poverty line of US\$1.90 per person per day, Malawi's 2010 poverty rate was 71 per cent, an increase from 64 per cent in 1997.<sup>13</sup> Given the low incomes, and the extremely high calorific requirements of those working in the fields, only maize and soya can provide sufficient calories.

Yet in Malawi the price of primary staple crops has a government-imposed ceiling price to assure affordable food supplies for the urban areas. Such ceiling prices have serious impact on the production economics of these commodities, rendering 'it non-economic to produce or at least reduce the optimal level inputs like fertilizer and reduce the overall yield potential, and thus national food security.' And so continues the vicious cycle of underdevelopment, popular disincentivisation, elite favour, rural drudgery and poverty.<sup>14</sup>

## Getting the Politics and Prices Right

Getting Malawi right demands getting the politics right to ensure better policies for growth and the right incentives to diversify.

This means dealing with the deep malaise within Malawi, without which diversification will be constantly frustrated: The private sector remains crowded out, the incentives skewed to reward those in government, or acting as a trading middle-man, the licensing or customs official, the handler of agricultural goods between the seller and purchaser, the politician who relies on access and preferences to safeguard business interests. It is a malaise which results in vested interests trumping national development needs, a result of a combination of jealousy, corruption, hand-outs and fatalistic resignation that has come to characterise Malawi's economy.

One level down, a key answer to achieving greater diversification to create jobs lies in improving price stability and predictability in other crops, notably maize. As a staple, it's a favourite target of government intervention to manage prices and stocks. But this is rarely done with consistency, and year-round. As a result, speculators abound, buying early and cheaply, and selling late and with considerable profit, all at the expense of the farmer.

Malawi's been here before with, beginning in the early 1980s, a series of policies aimed at liberalisation of the agricultural sector. A World Bank-supported partial privatisation of the Agricultural Development and Marketing

Corporation (ADMARC) left it with limited funds to supply fertiliser and seed to smallholders and led to the closure of many of its depots. However, the private sector lacked the capacity to provide competitive marketing services across the country. The sector was also unable to store enough maize to cover for lean periods and traders were restricted in their ability to import maize to maintain prices during shortfalls. As a result, subsidies reappeared and the government-controlled ADMARC again played an increasing role, thus reversing liberalisation.

The challenge relates in part to an absence of land tenure and the inability thus to raise finance, but principally in the pricing structure and the role of ADMARC, whose routine dumping of maize is not only costly for the fiscus, but drives the price down for the farmer. This trend is exacerbated by export bans. 'Cheap food undermines the economy, the beneficiaries of which are the three to four million urban Malawians at the cost of four million farming households' says Jimmy Giannakis of *Farmer's World*, echoing a widespread opinion.

Instead, there is a need to increase market pressure 'to take supply and demand closer to the edge' by liberalising the maize price. Government's role would be to ensure a safety net for the most vulnerable, and to forecast and monitor assiduously to avoid the sort of policy changes that have characterised Malawian maize policy. An example of this would be the politically-attractive FISP scheme introduced by the late President Bingu wa Mutharika and hailed as a major contribution by many donors to food security, even though it was unsustainable and depressed the price. Until now political interests have been in cheap maize, even though the economic interests of the farmers – and thus Malawi *per se* – are in a more expensive staple.

Perhaps there is a need to take a lesson from Zambia, where political interference in the maize market (particularly in election years) has crowded out key private sector players and destabilised the maize price even further.<sup>15</sup> The FISP allocates some 7 per cent of the annual budget to support farmers with seed and fertiliser. While this ensures food security, it also perpetuates poverty, ensuring that farmers have just enough maize to get

through to the next year, when they start over again. Rather it should endeavour to exit farmers from the scheme. And the only way to do that is to create other opportunities. Moreover, the problem with FISP is at its heart a political programme to ensure party support rather than a poverty alleviation mechanism, not that it's badly managed.

Insurance for farmers, for example through weather-based indexing, can go a long way in stabilising incomes when a liberalised market leads to greater price fluctuation. Studies have shown that in Ghana, for example, access to insurance increases farmers' ability to take risks, obtain funding and ultimately, increases yields.<sup>16</sup> Get the pricing right, and quantities and yields will rise, say the experts, as the farmer responds. There is always likely to be regional demand, given the vagaries of weather and politics. 'There is always someone,' says a Malawian farmer assessing the market opportunity, 'misfiring on maize in the region.'<sup>17</sup>



*Soya and groundnuts are two obvious diversification sectors. This will be driven by price and quality*



*A hard nut to crack. Malawi's groundnut exports have collapsed with the presence of high levels of Aflatoxin*

There is a likely upside, too, in other crop types, including soya and groundnuts. The success of the

tobacco industry's IPS might assist in ensuring new systems and approaches to solving old problems.

Malawi's soya requirements are estimated at 300 000 tonnes annually, demand being driven by the region (South Africa imports some 400 000 tonnes annually), and local oil and cake (for chicken feed) needs. Some 500 000 farmers currently produce 180 000 tonnes. The main disincentive for production, says farmer Neema Mkoko, is the need for economies of scale. 'You need a lot of land' she says. Price volatility is another, fluctuating between US\$300 and US\$600 per tonne, as is the cost of regional transport, and the barriers to entry of refined products into the region. Outgrower schemes have met with limited success, in the main because soya can be more easily sold on the side, unlike tobacco. Although the milling industry would like to impose export bans on raw beans, a more useful strategy would be to raise tariffs on refined products, thereby increasing local demand and prices. Higher prices, as with the IPS, will ensure long-term loyalty, something that the millers will need to accept. The GMO-free status of Malawian soya could also offer export opportunities to richer markets; even while those markets (such as the US) export GMO around the world.

Soya is not alone. Malawi was once the world's largest exporter of groundnuts, with an annual production of over 400 000 tonnes. Today, however, the industry is beset by the high levels of carcinogenic Aflatoxin present in Malawian groundnuts, which has stopped exports to the European Union and use of by-products in animal feedstock. Better sorting, seed varieties and testing offers a way out of this and, as with soya, the regional market offers huge opportunities, with drought-affected South Africa, which will need imports of 60 000 tonnes in 2019.

There are other possibilities. While Malawi accounts for an average of 2.3 per cent of total African cotton production (2005–2013), the crop is Malawi's fourth largest agricultural foreign exchange earner behind tobacco, sugar and tea. Malawi produced a peak of 100 000 tonnes of cotton in 2010 from around 300 000 farming families,

each with an average holding of 0.4 hectares. Today the country produces, perhaps, 30 000–40 000 tonnes, up from the recent low of 15 000 tonnes in 2016. The poor performance is not a reflection of the lack of assistance: Aid money (notably from China) has continued to flow into more ginneries (which has fallen in number from 12 to four over the past few years).<sup>18</sup> The problem is not beneficiation, however, but production. This reflects the high farm-gate prices set by the government for the ginneries, and competition from other crops. There has been a high risk of side-selling and loan default by farmers which has discouraged ginners from assisting outgrowers. Cotton prices have also suffered from the Malawi malaise of excessive supply in the year following high prices. Solutions advanced include the promotion of GMO cotton (which would reduce pesticide use), and the organisation of concession areas managed by a gin with outgrowers along the lines of the IPS.<sup>19</sup>

At current yields and prices, however, IPS-farmed tobacco in Malawi fetches US\$1 000 per hectare, several times more than that of soya (US\$250), groundnuts (US\$400), maize (US\$300), and cotton (US\$450) – based on average tonnage per hectare yields of 0.8 for soya, 1.4 for maize, 0.9 for cotton and 0.8 for groundnuts.

The challenge for these and other alternative crops is simply that they would have prospered in Malawi if the conditions and price had been right. The returns on these crops is to be increased through better yields, quality and prices.

## Promoting Other Sectors

Another answer to Malawi's growth and opportunity crisis lies in increasing diversification through other economic sectors, including tourism and mining.

This requires, in turn, three fundamental and related actions: Revitalising the tourist sector, improving and reducing the cost of access by air and land to markets, and electrification. The country currently survives on 290 MW of installed electricity capacity. Without a considerable uplift in power

generation and distribution capacity further value addition to commodities is improbable. Plugging in Independent Power Producers is the only thing the government can afford.



Getting goods back onto rail is part of the transport solution

Absent these changes the prospects for altering a vicious cycle of poor education, nigh zero employment prospects, lack of healthcare, poor nutrition

and low income are slim. Of course, there are other, necessary actions, including finding the means to expand the quantity of agricultural land under irrigation and in improving the access of the poorest to education. But this is slower burn stuff; ending mispricing and ensuring price stability increasing production and income can happen quickly.

To gain access to regional markets, however, greater effort will have to go into reducing transport costs, which are US\$2 600 for a 40-foot container from Lilongwe to Beira, just 950 kilometers away, whereas shipping from Beira to the UAE (Abu Dhabi) is just US\$1 300.<sup>20</sup> Fixing this means, too, addressing the stupefying inefficiencies of the border posts and encouraging more traffic onto rail, where the costs are less than half (US\$1 000 for a 40-footer) of those going by road. Currently there are just ten trains a week operating on the Blantyre-Nacala and Lilongwe-Nacala stretches, partly because of a lack of

**A Diversification Cycle for Malawi**



capital, human and financial, provided by the concessionaire, the Central East African Railway. The cost of transport as a percentage of imported and exported goods for Malawi is, at 30 per cent, twice the regional average.

## Ending the Capacity-Building Circus

History shows, however, that the political-economy of Malawi is, in the words of one senior diplomat, 'pretty f\*\*ked up no matter who is in power.' The incentives to retain existing power structures and practices have proven great, as are the costs and disadvantages in changing them, whatever the political will to do so.

If so, then, too, part of the problem is in the donors themselves, given that they have attempted to work with government due to the requirement of local ownership. But what if government picks and chooses what it wants to do and rhetorically – in the spirit of isomorphic mimicry – pretends to undertake structural and institutional reforms, is there something different that the donors with their considerable clout could do?

The answer is ... perhaps. A combination of working with the IPS outgrower system plus the introduction of new soya and nut seed varieties through international partnership along with drip-feed irrigation techniques could translate into a more prosperous future. At its core would be a partnership between donors and private companies, not the government, and on private growth, not food security. This turns the approach on its head, demanding a plan from donors rather than a plan from government. Instead of talking to government bilaterally or through the painful *capacity-building workshops* that NGOs in Malawi excel at, this would need to be channelled through a competitiveness framework, with a focus on two or three priorities rather than the spray of money and inevitably high recurrent transaction costs that characterise contemporary efforts. Recent improvements in maize yields in the south of Malawi in particular, which have led to a doubling of output per hectare, illustrate how challenges

might be turned into opportunities with the right dollops of organisation and direction.

Imagine if the US\$1.1 billion in donor money was concentrated on extending IPS farming and transport, for example, rather than diffused through donor and government consumption?

Facilitating the flow of better farming inputs and strengthening the market links between the farmer and the consumer – improving the whole value chain – will go a long way to translating crops into cash and removing farmers from lives of permanent drudgery and poverty.

## Conclusion: Jobs of the Future?

In the Malawian village of Chidoti, Mrs Levison sat forlornly, staring out of the doorway of her tiny dwelling, measuring little more than two metres square. Outside, baking in the winter sun, were her mud bricks. She complained, like all of the villagers we met, that she never saw government, though she 'just wants inputs' to get her business going.



*No country ever developed from subsistence farming*

Across Africa, from what we know, it is likely that food production and processing will grow in importance, as will service sectors such as tourism. The challenge for food and agriculture is to provide technology for greater efficiency without sacrificing labour. If governments can de-risk, depoliticise and liberalise agricultural markets they would already be halfway there; if they can then provide the necessary infrastructure and vertical integration that would support value-adding industries, there would be much less reason to fear Africa's future population growth.

## Endnotes

1. See <https://www.cgdev.org/blog/one-size-doesn't-fit-all-lant-pritchett-mimicry-development>. As Lant Pritchett put it: 'They pretend to do the reforms that look like the kind of reforms that successful [countries] do, but without their core underlying functionalities. Instead, countries wind up with all the trappings of a capable system – institutions, agencies, and ministries – without its functionalities.'
2. At <http://datatopics.worldbank.org/education/country/malawi>.
3. This Discussion Paper is based on several visits to the sector in Malawi and Mozambique dating back to 2006, most recently in February and March 2019. In part this also draws on material presented in: Greg Mills, Olusegun Obasanjo, Jeffrey Herbst and Dickie Davis, *Making Africa Work*. Cape Town: Tafelberg, 2017; and Greg Mills, Olusegun Obasanjo, Jeffrey Herbst and Tendai Biti, *Democracy Works: Rewiring Politics to Africa's Advantage*. Johannesburg: Picador, 2019.
4. See <https://wandilesihlobo.com/2018/04/01/land-dynamics-in-africa-what-is-the-potential-for-agricultural-expansion/>
5. See <https://www.afdb.org/en/news-and-events/the-african-development-bank-is-delivering-for-africa-adesina-16937/>.
6. See for example <https://www.economist.com/asia/2017/10/12/for-asia-the-path-to-prosperity-starts-with-land-reform>.
7. At <http://www.eastasiaforum.org/2013/01/24/agricultural-transformation-in-asia-continuity-and-change/>.
8. See <https://www.un.org/development/desa/publications/world-population-prospects-the-2017-revision.html>.
9. At <http://data.worldbank.org/indicator/NY.GDP.PCAP.CD>.
10. At <https://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD?end=2017&locations=MW&start=2010>.
11. See <http://www.doingbusiness.org/content/dam/doingBusiness/country/m/malawi/MWI.pdf>.
12. See <https://www.wttc.org/-/media/files/reports/economic-impact-research/countries-2018/malawi2018.pdf>.
13. See IMF Country Report No. 17/184, 'Malawi: Economic Development Document', July 2017.
14. RL Tinsley, 'Value Chain Analysis for Soybeans in Malawi'. Soils & Crop Sciences Department, Colorado State University, CNFA – Farmer-to-Farmer Volunteer, 21 February to 18 March 2009.
15. Kelvin Mulungu & Natasha Chilundika, 'Zambia Food Reserve Agency Pricing Mechanisms and the Impact on Maize Markets'. Jaipur: CUTS, 2014.
16. Dean Karlan et al, Agricultural Decisions After Relaxing Credit and Risk Constraints. *Quarterly Journal of Economics*, 2014. 129, (2), pp. 597–652.
17. The information in this section was obtained first-hand from interviews in 2016, 2017 and 2019.
18. At for example <https://mwnation.com/cotton-industry-verge-collapse/>.
19. See, for example, <https://mwnation.com/bt-cotton-goes-commercial-next-year-says-expert/>.
20. Calculated at <http://www.seafreightcalculator.com>.