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The Macroeconomic and Political Foundations of Endemic Poverty in Malawi

Ronald Mangani

> "Africa is a vital subject matter in the world today, a focal point of world interest and concern. Could it not be that history has delayed her rebirth for a purpose? The situation confronts her with inescapable challenges, but more importantly with opportunities for service to herself and mankind. She evades the challenges and neglects the opportunities to her shame, if not her doom", (Luthuli, 1961).

1. Introduction

Malawi was created as the British Central African Protectorate in 1891, and renamed the Nyasaland Protectorate in 1907. It became part of the Federation of Rhodesian and Nyasaland during 1953 – 1963. On 15 August 1961, the Malawi Congress Party (MCP) won the country's first multiparty elections and, eventually, formed the first native government headed by Hastings Kamuzu Banda. Political independence was secured in 1964 with Kamuzu Banda as prime minister. A cabinet crisis of the same year (see McCracken, 2012, pp. 429-440) quickly entrenched Kamuzu Banda as a ruthless dictator who would dominate the country's politics for the next thirty years. Malawi became a Republic – and Kamuzu Banda became its first president – in 1966, but economic independence still remained unforeseeable. Bakili Muluzi of the United Democratic Front (UDF) replaced Kamuzu Banda following democratic elections in 1994, and ruled until 2004. His hand-picked successor, Bingu wa Mutharika, died in office in April 2012, having earlier dumped the UDF to form his own Democratic Progressive Party (DPP). The ill-fated wa Mutharika's constitutional successor, Joyce Banda[i], had also earlier detached herself from the DPP to form her own People's Party (PP), only to be dislodged from the presidency by wa Mutharika's younger brother, Arthur Peter Mutharika, in the elections of 2014. At the time of our writing, in August 2019, the younger Mutharika's presidential re-election of May 2019 was being contested in a special Constitutional Court amidst political protests and rising tension across the country.

The overarching drive for all these political developments was the same since Kamuzu Banda's famed return to Nyasaland on 6 July 1958 to fight for independence, viz: because the

pace of development was always deemed slow, “this pace must be accelerated if the government is to fulfil its responsibilities to the people” (Malawi Government, undated, a, 5). Naturally, therefore, building on the ‘initial take’ of socio-economic conditions and the stance of international power relations, these political developments were pivotal in defining the nature of policies, institutions and incentives that shaped the country’s developmental deportment and outcomes.

Inherently a poor agro-based economy since the days of colonialism, Malawi’s endemic poverty leaned on rock-hard macroeconomic and political foundations. The adoption of an admixture of home-grown and neoliberal economic policies – the latter tied to significant amounts of foreign aid – had not helped to induce a meaningful dent on poverty. Although a handful of key social indicators registered some relative improvements fifty-five years after independence, more than one-fifth of Malawians lived in extreme poverty, while more than one-half lived in moderate poverty. The country persisted to exhibit lowest-end rankings in human development alongside war-torn and fragile states, despite being generously endowed with life-supporting natural resources and envied peace.

Several factors connived to deepen poverty, notably heavy reliance on hoe-based and rain-fed agriculture; fiscal pressures arising from a growing government; governmental ineffectiveness worsened by a failing experiment in democratisation; systemic corruption in a broad sense of the term[ii]; a time-ticking demographic threat; a generally skewed mind-set that was void of responsible citizenship; and gross failures in policy implementation at both the sectoral and macro levels. These challenges should already have deteriorated into a potential turning point had their effects not been masked by the international community that also shrewdly oiled them, mostly through one-size-fits-all neoliberalism and other forms of control, much at the risk of their perpetuation than the prospect of their reversal. The solution resided in the emergence, sooner rather than later, of a political leadership that would entrench the functionality of inclusive institutions and salvage a local ownership of the country’s development agenda.

2. The Economy

A small, land-locked Southern African country whose 2018 population of 17.6 million people was growing at 2.9 percent annually (National Statistical Office, 2018), Malawi’s gross domestic product (GDP) in terms of current money was estimated at US$6.3 billion in 2017 according to the World Bank[iii]. Agriculture was the most important economic sector, as it employed 64 percent of the labour force and generated 80 percent of export proceeds in a normal year. Tobacco alone accounted for 47 percent of total export proceeds in 2017. Other exports included tea, sugar, cotton, pulses and coffee. (National Statistical Office, 2014;

Malawi Government, undated, b,). Nevertheless, agriculture contributed less than one-third of GDP (down from about 55% at independence), compared with about 60 percent for various services provided by the public and private sectors put together, and 10 percent for manufacturing. Some 70 percent of the country's agricultural output was produced by a rain-dependent and non-mechanised smallholder sub-sector, while the balance was from estates. Output from the services sector was dominated by wholesaling and retailing, while manufacturing output was mostly derived from an underdeveloped agro-processing industry. Although exploration in the extractive industries had been intensified since the beginning of the third millennium, Malawi was not ready to develop this sector in a manner that could maximise national benefits, given the combination of a huge gap in the relevant knowledge among the locals and a high appetite for rent-seeking. As discussed below, it was common knowledge that the country was inundated by a worsening wave of official corruption.

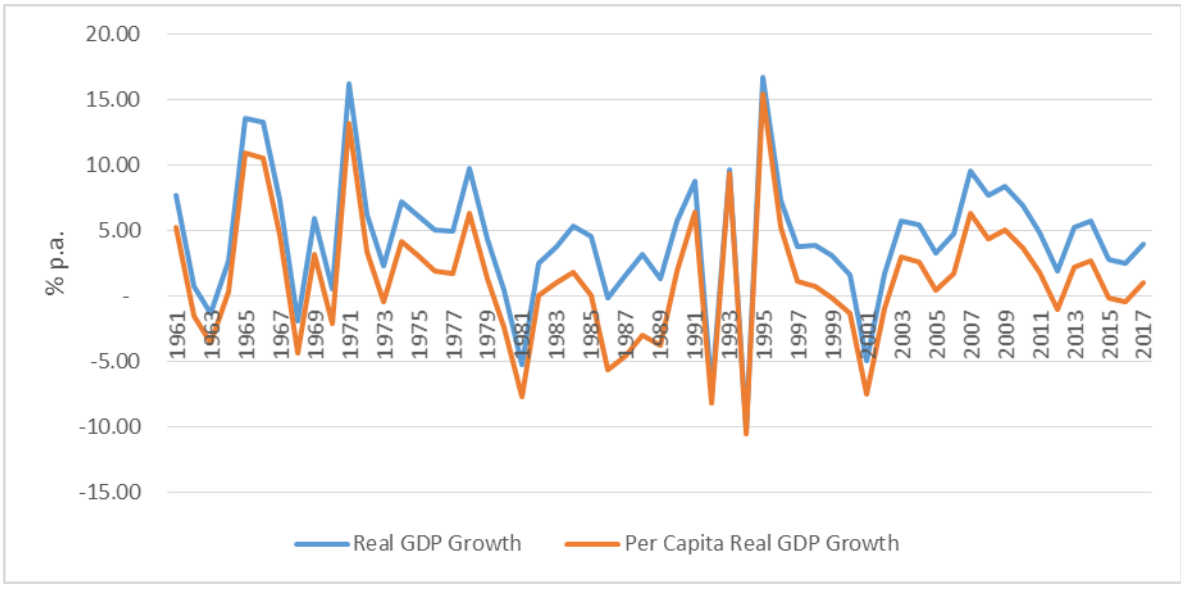
Trends in the country's economic performance were influenced by volatilities in agricultural production due to variabilities in rainfall patterns and the intake of farm inputs, global economic developments, international relations, and domestic policies. Figure 1 traces the evolution of growth rates in Malawi's real GDP and real per capita GDP from 1961 to 2017.

Malawi registered commendable rates of growth during the first 15 years from independence, reaching 16.2 percent in 1971 and averaging 6.1 percent per annum between 1964 and 1980. However, this trend could not be sustained following the economic crisis of the late 1970s, from which it had arguably still not recovered forty years later. The crisis itself arose because of increased costs of sea access through the Mozambican port of Nacala due to the civil war fought in that country during 1977 – 1992, and the associated influx of refugees; a rise in domestic oil prices due to the 1979 global energy crisis; a decline in world tobacco prices; and episodes of agricultural failure (Chirwa, 2000; Mangani, 2012). The economy shrank by 5.3 percent in 1981, and never fully recovered until around 1991 when it expanded by 8.7 percent due to increased agricultural output. However, donors withdrew aid thereafter to force political change, creating a contraction of 7.3 percent in 1992 and a further 10.2 percent in 1994. This lacklustre performance was reversed by the resumption of aid following the adoption of multiparty democracy after the referendum of 1993 and the formation of the new UDF-led government a year later, coupled with better performance in agriculture. Economic growth buoyed to 16.7 percent in 1995 and averaged 7.0 percent per annum during the last part of the 1990s. Thereafter, eventual slippages in fiscal discipline resulted in high fiscal deficits (which, after grants, reached 11.6% of GDP in 2002), high domestic borrowing, high interest rates and the crowding-out of private investment. This macroeconomic instability, coupled with failures in agriculture, wiped away the gains recorded in the previous years.

The economy recovered during 2006 – 2010, growing by an annual average of 7.4 percent and an associated per capita real GDP growth of 4.2 percent. This performance was attributed to improvements in fiscal management, improved relations with donors (hence more aid) and favourable conditions for agriculture supported by the controversial Farm Input Subsidy Programme (FISP). Fiscal deficits after grants declined to 4.2 percent in 2009, and interest rates followed this trend.

Economic performance during 2010 - 2018 was affected by a combination of man-made and natural factors. Exchange rate controls, a deterioration in government-donor relations and some reversion to dictatorial leadership tendencies characterised the three-year period up to the first quarter of 2012. The result was external imbalances that created stern shortages of foreign exchange and essential imports, notably petroleum products. The economy grew by less than 2 percent in 2012. Growth rebounded to 5.2 percent and 5.7 percent in 2013 and 2014 respectively, following a change in political leadership in April 2012 and buoyed by normal agricultural seasons. However, annual growth averaged only 2.7 percent in 2015 and 2016, due to a combination of floods and droughts. Economic growth of around 4.0 percent was recorded in 2018, down from an estimate of 5.2 percent in 2017. The slowdown reflected low agricultural production due to dry spells and fall army worms experienced in some parts of the country during the 2017/18 growing season (Reserve Bank of Malawi, 2018a).

Figure 1: Economic growth, 1961–2017



Data source: World Bank

Various national development plans had been dutifully formulated, at least since the last years of colonisation. Thus, the Development Plan of 1957 – 1962 was seamlessly followed by the first two Development Plans (for 1962 - 1965 and for 1965 – 1969) of the MCP-led government. Thereafter, the government produced the first Statement of Development Policies (DEVPOL

I) covering the period 1971 – 1980, and DEVPOL II for 1987 – 1996. In 1994, the new UDF-led government launched the Poverty Alleviation Programme, followed by the Poverty Reduction Strategy in 2002, and the Malawi Economic Growth Strategy (MEGS) in 2003. From 2006 onwards, national development was guided by three five-year rolling policy documents under the tag of the Malawi Growth and Development Strategy (MGDS), a key initiative of the DPP-led government. The implementation of the MGDS II coincided with that of the Economic Recovery Plan (ERP) dictated on the short-lived PP-led government by the International Monetary Fund (IMF) in May 2012. The consistently pronounced objective of these medium term plans was to reduce poverty and create wealth through sustainable economic growth and infrastructure development. They also served as instruments for the domestication of regional, continental and global development commitments, such as the African Union's Agenda 2063 as well as the Millennium Development Goals (MDGs) and the Sustainable Development Goals (SGDs) promoted by the United Nations.

Arguing that medium-term development planning "has achieved limited social and economic progress while poverty has become widespread, social services have become inadequate and food insecurity has increased" (National Economic Council, 2000, p. 9), the government launched an ambitious Vision 2020 in 1998 to champion the country's graduation into a middle-income economy.

Malawi had been implementing various neoliberal economic policy reforms promoted by the IMF, the World Bank and the World Trade Organisation (WTO) since 1981, starting with the structural adjustment programmes (SAPs) which ran until 1994. SAPs were comprehensive policy reform programmes dangled in return for Western aid. Their declared objective was to address worsening balance of payments and fiscal deficits arising from structural weaknesses in the economy, as evidenced by the crisis of the late 1970s and early 1980s. Neoliberal policy reform prescriptions persisted after SAPs under different names. Beginning from 1995, Malawi implemented three Fiscal Restructuring and Deregulation Programmes (FRDP) and a series of Enhanced Structural Adjustment Facility (ESAF) programmes. In keeping with the introduction of the Poverty Reduction Strategy Programme (PRSP) approach internationally, the IMF adopted the Poverty Reduction and Growth Facility (PRGF) arrangement as its main instrument in Malawi since the beginning of the new millennium. The stated objective was to reduce poverty by creating a stable macroeconomic environment and promoting such activities as sustainable pro-poor growth, human capital development, improvements in the quality of life of the most vulnerable, and good governance (International Monetary Fund, 2006). Several Exogenous Shock Facility (ESF) and Extended Credit Facility (ECF) programmes were also implemented subsequently, such that the ECF programme agreed in May 2018 seamlessly followed the successful conclusion of another a year earlier. Hence, in

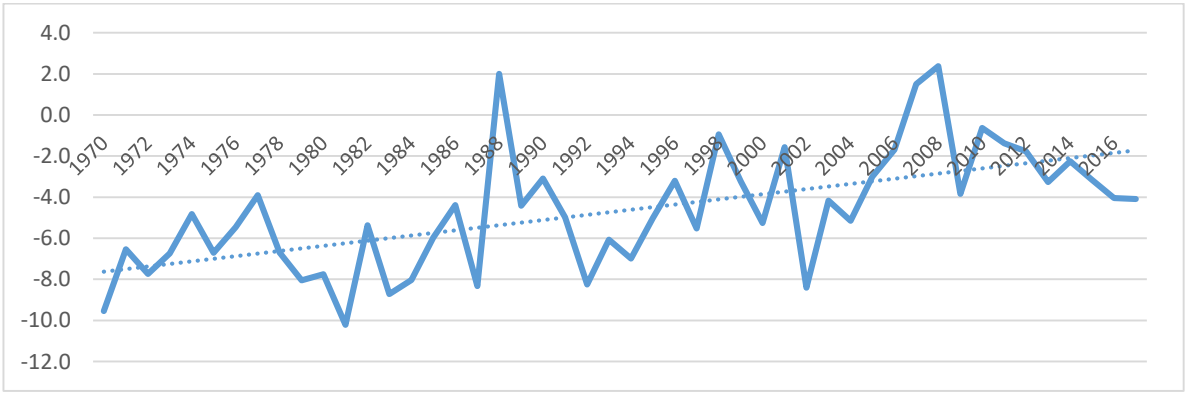
return for various loans, sectoral credits and grants provided by the IMF, the International Development Association (IDA) of the World Bank Group and other Western bilateral and multilateral aid agencies, Malawi implemented extensive reforms across all economic and social sectors. The key initiatives in this regard included the liberalisation of the agricultural sector, parastatal sector reform and privatisation, trade liberalisation, financial sector reform, exchange rate and interest rate liberalisation and fiscal restructuring.

Neoliberal policies were astutely touted as the pathways towards sustainable growth and poverty reduction across developing countries. However, it is well documented that neoliberalism was designed to serve the economic and geopolitical interests of Western governments (Chipeta, 2009), which explains the dominance of grants to loans in most of the associated aid portfolios.

The formulation and implementation of development plans was acquiescent to the political stance, hence constantly unable to take adequate advantage of professional expertise. This became more pronounced after the country's reversion to multiparty democracy following the referendum of 1993, because political pluralism created stark asymmetries between professional correctness and political expediency. Suspecting that the key reason for this was the lack of a legal framework to insulate the process from political interference, the government created the National Planning Commission (NPC) through a parliamentary act of 2017.

The government's budget was the main instrument for achieving the country's medium-term development goals on a yearly basis, but its effective implementation was incessantly compromised by the enormity of the country's development needs, a weak fiscal management regime, and inadequate resources. Figure 2 shows that the country's fiscal balance after grants was dominantly negative (averaging -4.7% of GDP during 1970 – 2017) with only three positive spikes. It was encouraging to note, nevertheless, that the trend line tended to depict an improving fiscal position which the government should endeavour to sustain.

Figure 2: Fiscal balance after grants, 1970-2017 (% of GDP)



Data source: Reserve Bank of Malawi

The government spent most of its money on consumption. The recurrent requirements of government operations alone were so enormous that domestic revenue fell short of covering them (Table 1), intimating a bigger government for the size of the economy. Put differently, this scenario pointed to the fact that a huge part of the government deficit was structural, although that did not entirely preclude the prevalence of fiscal negligence and extravagance. Efforts to contain government expenditures – such as the adoption of a Zero Deficit Budget (ZDB) in 2011/12 and a No Net Domestic Financing (NNDF) fiscal principle in 2012/13 and 2013/14 – were illustratively fruitless.

Public sector investment dominated total investment for the most part since independence, in an attempt to stimulate growth. World Bank data showed that 62.4 percent of the country's average annual gross fixed capital formation of US$232.3 million during 1975 – 1999 was attributable to the public sector. However, average annual total investment from 2000 to 2017 rose significantly to US$722.4 million, of which a markedly lower 45.8 percent was by the public sector, suggesting a reasonable improvement in both total and private investment – but also suggesting a proportionate increase in government consumption relative to investment.

Table 1: Fiscal operations, 2012-2017 (MK billion)

	2012	2013	2014	2015	2016	2017
Total revenue	363.3	476.4	535.9	661.3	810.0	946.6
Domestic revenue	265.2	373.0	483.0	614.2	742.0	858.7
Grants	97.9	103.4	52.9	47.1	67.0	87.9
Total expenditure	388.6	539.3	593.1	762.7	964.3	1136.1
Recurrent expenditure	349.8	459.9	534.4	667.2	832.5	973.1
Development expenditure	72.1	79.4	58.7	95.5	131.8	163.0
Balance after grants	-25.3	-62.9	-57.2	-101.4	-154.3	-189.5

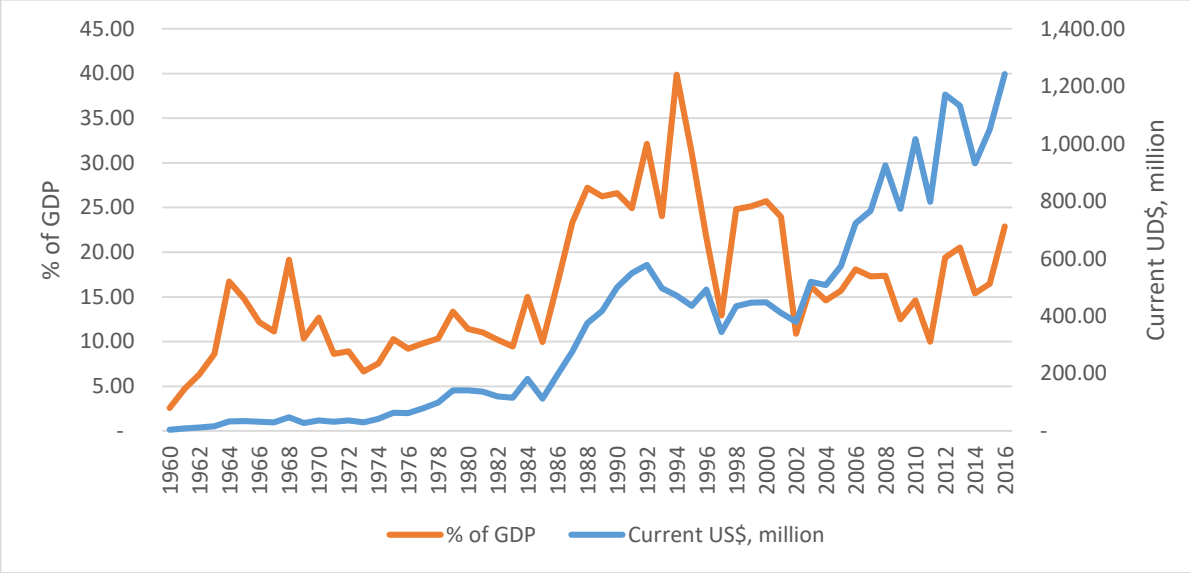
Data source: Reserve Bank of Malawi

During the first fifteen years of independence, the government prioritised infrastructure investment in transport, communication and agriculture (Makuyana & Odhiambo, 2014), as well the establishment of a new capital in Lilongwe and a public university – the University of Malawi. Most of the subsequent public investment was directed towards the social sectors (especially education and health), but the aggregate investment in these sectors and key public utilities (notably energy and water) was too inadequate to cope with the fast-growing demand.

Most of the public investment was donor-funded, hence the country was heavily aid-dependent (Figure 3). Net official development assistance (ODA) and official aid to Malawi distended from US$4.6 million (2.5% of GDP) in 1960 to an annual average of US$786.5 million (17.1% of

GDP) during 2000 – 2016. Net ODA and official aid received was US$1.52 billion (24% of GDP) in 2017, an increase from that recorded in the previous year (US$1.24 billion). However, aid took a dip to US$931.2 million in 2014 (from US$1.13 billion in 2013), as donors responded to the previous year's revelation of severe weaknesses in the public finance management (PFM) systems that resulted in the looting of public funds, an incident dubbed 'cashgate'. As a percentage of GDP, pick aggregate aid was experienced during 1981 - 1999 in return for the adoption of neoliberal economic and political reforms, almost reaching 40 percent of GDP immediately after complete political change in 1994. The proportion of grants to total aid varied between 76 percent and 83 percent annually during 2010 – 2015, while the rest were loans.

Figure 3: Net aid to Malawi,1960-2016



	Annual Averages				
	1960-1963	1964-1979	1980-1999	2000-2016	1964-2016
Current US$, million	10.1	51.3	341.0	786.5	396.4
% of GDP	5.6	11.4	21.2	17.1	16.9

Data source: World Bank

The largest donor in terms of disbursements was the World Bank (Government of Malawi, undated, a). During 2014/15, the bank provided US$139.2 million, followed by the Global Fund to Fight HIV/AIDS, Tuberculosis and Malaria (GFATM) at US$131 million, the United States Agency for International Development (USAID) at $108.4 million, the United Kingdom's Department for International Development (DfID) at US$100 million, the European Union (EU) at US$63.3 million, and Norway at US$53.6 million. Other key donors were the African Development Bank (AfDB), the US's Centre for Disease Control and Prevention (CDC), the United Nations Children's Fund (UNICEF) and the Indian Government. Among bilateral donors, the United States was the largest in 2014/15 (US$159.1 million), followed by the

United Kingdom (US$100.0 million), Norway (US$53.6 million), Germany (US$39.8 million) and India (US$23.3 million) [iv]. In other years, however, the People's Republic of China was a significant player, contributing US$35.1 million in 2012/13 and US$33.8 million in 2013/14.

The emergence of non-traditional donors like China and India was typically associated with new funding modalities under the so-called South-South Cooperation (SSC) among developing countries, such as one where engineering, procurement and construction (EPC) were intertwined elements of the financing package. Although aid from these new donors was principally provided without the reform conditionalities that were characteristically associated with Western aid, it was not entirely free of non-financial conditions and recipient concessions. Chinese funding, for instance, only became accessible once Malawi severed ties with Taiwan in January 2008, while the EPC financing model systematically entailed the direct implementation of projects by contractors from the donor countries, usually with limited local labour creation. In other developing countries, such aid was associated with the opening up of extractive industries to investors from the benefactor countries. Moreover, in general, the lending by these new bilateral donors usually fell short of the concessionality requirements of the IMF. Nonetheless, SSC presented extra development financing opportunities over and above those availed under the traditional North-South Cooperation (NSC). Balancing the costs and benefits associated with these two geopolitical rivalries objectively was an interesting research question which, if it were to be explored herein, would take this script too far afield.

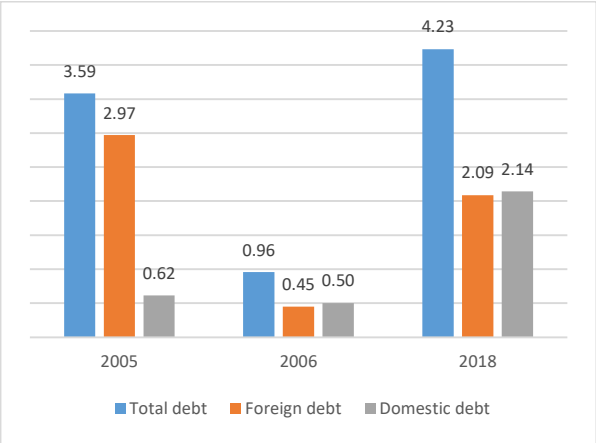
External aid accounted for roughly 40 percent of the government's budget prior to 2013, but this declined after 'cashgate'. Hence, only 22.0 percent of the budget was donor-funded during the 2015/16 financial year. Instead, about 77 percent of aid was provided through off-budget direct project support in 2014/15, compared with 63 percent in 2009/10. This picture depicted donor distrust of government systems. However, some PFM improvements were noticed by end-2016, resulting in the disbursement of general budget support amounting to US$80 million by the World Bank in 2017.

Following years of unsustainable borrowing, the foreign debt stock exceeded the country's GDP during most years since 1994, totalling about US$3 billion or 108 percent of GDP by 2005, (Figure 4). As a result, Malawi reached the completion point under the Heavily Indebted Poor Countries (HIPC) initiative of the IMF in 2006. This as well as the associated Multilateral Debt Relief Initiatives (MDRI) led to a decline in the stock of foreign debt to less than US$0.5 billion (14% of GDP). However, as reported by the Reserve Bank of Malawi (2018), the foreign debt position depicted a worrisome post-HIPC trend, reaching US$2.1 billion (30% of GDP) by September 2018. Some 80.3 percent of the external debt stock was held by multilateral creditors, while the balance was the stock of bilateral debt. The holding of foreign debt was

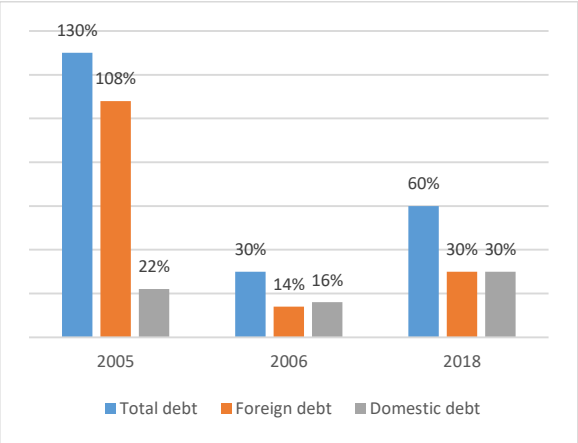
dominated by the World Bank's International Development Association (IDA) at 43.7 percent, the African Development Fund (ADF) at 15 percent, the IMF at 10.4 percent, and the Export and Import Bank of China at 10.2 percent. In addition to the worsening foreign debt position, the persistent budget deficits already discoursed resulted in the accumulation of domestic debt equivalent to a further US$2.1 billion by the same September 2018, hence the total debt stock stood at 60 percent of GDP. Domestic and foreign debt servicing alone accounted for 12.7 percent of the total government expenditure of approximately US$1.5 billion during 2015/16, implying a significant trade-off with the provision of public goods and services, crowding-out of private investment, and a burden on future generations. An examination of the consolidated balance sheets of commercial banks for December 1990 and June 2018 corroborated the crowding-out argument: private sector credit declined from 49.0 percent to 28.3 percent of bank assets in that period, while bank claims on the official sector increased from 12.0 percent to 19.5 percent. Genuine questions, therefore, lingered over fiscal sustainability in Malawi.

Figure 4: Rising post-HIPC debt

(a) Debt stock (US$ billion)



(b) Debt stock (share of GDP)



Data sources: World Bank; Reserve Bank of Malawi

Note: 2018 data are for September; the rest are for year-end

As with many other developing countries, independent Malawi was aid-trapped because of several other reasons besides the genuine offer to assist the country to meet its development goals and to mitigate the effects of shocks such as the humanitarian crisis of 2015/16: the 2016 Food Insecurity Response Plan (FIRP), which required some US$395.13 million to be fully implemented, was almost entirely funded by donors to save an estimated 6.5 million starving people. Besides these well-meaning intentions, however, aid had other disputable motives. First, as noted, aid was the means through which donors forced reforms that principally served their global interests. Second, aid-receiving countries were critical pawns in the geopolitical and other games of international domination. Complete suspension of aid was

possible after the Cold War, but hardly so before then nor since the emergence of China as a global power and rival donor. These two related factors tended to create pressure for more and more lending among donors. Instead of withdrawing from bad regimes, therefore, Western donors would opt to provide off-budget support, usually through international and local non-governmental organisations (NGOs) or through funding instruments that they directly controlled. Unfortunately, this tended to create governance and coordination problems as elected leaders lost control of the development agenda. Moreover, granting that donors may have some genuine governance concerns such as endemic public sector corruption or poor human rights records, the changes in funding modality could not be a solution because they meant that bad regimes continued to be supported, albeit indirectly, hence masking the real effects of such poor governance and postponing commensurate public reactions. It was also true that concerns such as corruption tended not to spare the institutions through which aid was alternatively channelled, and that more grants meant more graft (Moyo, 2010). Importantly, that foreigners should purport to display greater apprehension for the welfare of any country's citizens than the country's own elected leaders is a mockery of reasonableness. Similarly, arguments about donors' indebtedness to developing countries in the 21st century have effectively become deficient of merit and ought not to be relied upon any further, notwithstanding all the evidence about centuries of the donors' gross transgressions in such countries, including enslavement and massive looting from them.

The aid trap, as a global experience, means that aid creates dependence on more aid by design, and the examples abound. Given Malawi's narrow and vulnerable export base, it was inconceivable that the government could operate a stable, market-determined exchange rate regime without balance of payments support and other forms of assistance from donors in the short to medium-term, and the country's already pitiable public health and education systems would literally collapse if donors withdrew support completely (Kasakura, 2018; McKenzie & Swails, 2017; Mweniguwe, 2015). Supplemental remuneration of up to 52 percent of basic pay to some health workers, introduced by donors in 2004 to arrest worrisome attrition at the turn of the century, was another example. Since the withdrawal of donor funding to the project a few years later, the consequent financial obligation had to be subsumed on the government's budget, creating a fiscal burden and tension arising from the resultant differential remuneration across equal grades within the civil service (Republic of Malawi, 2007; Rohwerder, 2015; World Health Organisation, undated). The Malawi Social Cash Transfer Programme, piloted by donors in one district in 2006 but reaching out to 170,122 households in 18 districts by 2016, was yet another example of a multimillion dollar programme that the government could struggle to sustain after donor funding - and this was only one of many other donor-funded social support programmes. These as well as the infrastructure projects that donors funded

and eventually handed over to the government contributed to unsustainably high recurrent costs, illustrating “how good intentions have failed the poor” (Bolton, 2007). But this vicious cycle of dependence was obviously an intended outcome of the model, and it would take a very intricate, near-impossible process of economic decolonisation to loosen the trap. More on this subject is in Hubbard and Duggan (2009), as well as Chipeta and Mkandawire (2009), among others.

Additional factors that accounted for a disproportionately bigger government than the potential of the underlying economy included dominant propensities to create new public institutions in order to conform to regional and international trends, to subscribe to and participate in limitless regional and international bodies, and to meet donor demands; the uncontrolled growth of a predominantly idle population, hence the need to increase public service delivery without a corresponding broadening of the tax base; and the sheer lack of prudence about the development agenda, which culminated into poor prioritisation of public investments. Most high-value investment projects were initiated through politically-motivated short-cuts, usually without adequate budgetary allocations, instead of being systematically guided by a carefully structured Public Sector Investment Programme (PSIP) framework which existed in the government’s Department of Economic Planning and Development. Put together, these factors formed the breeding ground for perpetual fiscal deficits, and risked unduly crippling the country’s narrow tax base through a punitive tax regime. The combination of personal, corporate and sales taxes as well as council, fuel and other levies in Malawi translated into effective tax rates that well exceeded 50 percent of the income of the average working Malawian, making it impossible for most people to build capital. Over-taxation was evident (Record *et al*, 2018, 23), but was constantly evaded by the powerful and connected. The inadequacy and declining quality of public services meant that over-taxation was scarcely rewarding to the middle class, hence the market for privately (and more expensively) provided education and health services grew exponentially by the turn of the century.

Public finance management evolved into a thorny challenge that drew the boundless attention of the IMF and the World Bank, among others. The government adopted the Medium Term Expenditure Framework (MTEF) in 1997 to improve the allocation and quality of public expenditure. However, this remained largely ineffective due to the smallness and unpredictability of the resource envelope, as well as general laxity in fiscal responsibility. In 2005, the government started implementing the computerised Integrated Financial Management Information System (IFMIS), funded by the World Bank, to create a robust expenditure monitoring and fiscal reporting system. However, the system became so permeable that it could not prevent the infamous ‘cashgate’, nor the accumulation of arrears that totalled over MK155 billion (US$365 million) in 2014 and exerted more fiscal pressure. In

2003, the IMF and the World Bank supported the enactment of three pieces of legislation, perceived then as game-changers in the management of public resources, namely: the Public Finance Management Act, the Public Procurement Act and the Public Audit Act. But these legal instruments, too, were not effective in entrenching fiscal discipline and preventing fraud, because of a generally weak sanctions framework and an excruciatingly compromised judicature which was incapable of keeping custody of the ideals of an efficient and effective justice system[v]. These factors connived to fashion a governance regime through which corruption was highly rewarded at very low risk, and where (in)justice was selectively applied in favour of the powerful and connected. The last two pieces of legislation had since been reviewed and the first was undergoing its own review as we wrote this script. While these donor-driven reviews could qualify as positive initiatives under normal circumstances, it would be overly presumptuous to consider them as enduring solutions in a country where policy formulation was a perfected art that was grossly unmatched with implementation, and where the impunity of public officials was an untrammelled compromise to the rule of law.

Figures 5 and 6 show trends in inflation and interest rates[vi], respectively. Monetary policy up to the late 1980s principally involved direct controls of interest rates, credit, exchange rates and foreign exchange. The policy rate (i.e., the interest rate that signalled the inflationary expectations of the Reserve Bank of Malawi (RBM), officially called the bank rate until 2012) averaged 6.5 percent during the 1970s and 10.8 percent during the 1980s, while the average base lending rate of commercial banks was 19.1 percent between 1980 and 1989. Inflation averaged 8.0 percent in the 1970s; rising to an average of 15.0 percent in the 1980s.

Within the framework of the SAPs, the Reserve Bank of Malawi Act was reviewed in 1989 to give the RBM greater independence in the formulation of monetary policies. Malawi adopted the liquidity reserve requirement (LRR) ratio as the key monetary policy instrument in 1989, followed by open market operations (OMO) and the policy rate (Sato, 2001). The decontrol of credit and interest rates was completed by 1990. As a result, the policy rate reached 50 percent in 1995 and averaged 29.9 percent in the 1990s.

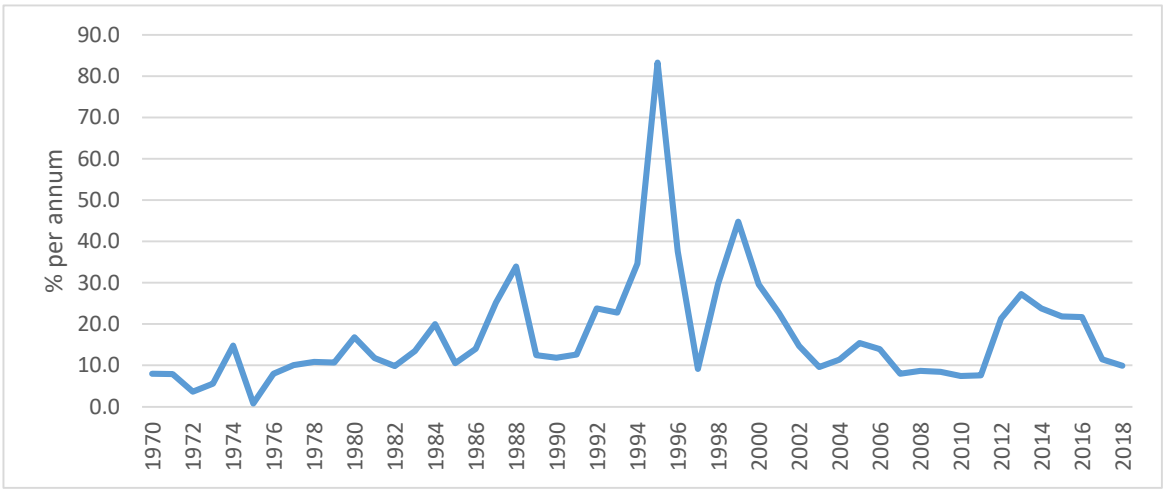
In the subsequent ten-year period commencing around 1996, deficit financing exerted pressure on interest rates and prices. Inflation averaged 23.3 percent, while the average policy rate was 38.4 percent. The policy rate soared to an all-time high of 75.3 percent in February 2001, stretching the base lending rate to 65.0 percent by April of the same year. From 2005, however, interest rates and inflation commendably plummeted due to improved fiscal discipline and an expansionary monetary policy stance. These initiatives were pursued alongside evidence of a declining trend in domestic food prices (which accounted for over 50 percent of the consumer price index at the time), occasioned by FISP-induced increased

production by smallholder farmers. Yet also, contrary to a very dominant monetarist thesis, this declining trend in inflation correlated with significant growth in money supply (Mangani, 2012). The adoption of the IMF's Economic Recovery Plan in May 2012, however, led to high imported inflation, and interest rates were raised in an attempt to contain this pressure. This situation was worsened by 'cashgate' and slow economic growth thereafter, hence inflation picked to 27.3 percent in 2013, and remained above 20 percent until 2017. Similarly, the policy rate reached 27.0 percent in 2015, and commercial banks' base lending rates remained upward-sticky. The inflation trend started witnessing some significant reversal in 2017 due to better real sector outturns and fiscal discipline. Inflation dampened to 9.9 percent by December 2018, but interest rates hardly responded to this: although the policy rate declined to 16.0 percent by end 2018, base lending rates still hovered around 25 percent. The effective lending rates paid by ordinary borrowers were generally upwards of 30 percent in most banks, compared with savings deposit rates that averaged 5 percent, and three-month fixed deposit rates of around 8 percent. In other words, the interest rate spread was generally in excess of 20 percent, making banking arguably the most lucrative investment in the country. Nonetheless, the high lending rates meant that banks also had to grapple with a rising problem of non-performing loans (NPLs) which reached an all-time high of 17.1 percent of gross loans in September 2016[vii]. The NPLs estimate for May 2018 was at 12.7 percent of gross loans (Reserve Bank of Malawi, 2018b), but the decline was largely attributed to write-offs by banks – hence an erosion of shareholder's capital - rather than an improvement in repayments.

In December 2018, the Financial Services (Amendment) Bill, 2018, was introduced in parliament by the honourable member for Dowa West Constituency. The bill sought to amend the Financial Services Act, 2010 (Cap 44:05 of the Laws of Malawi), in order to impose upper limits on the RBM policy rate and the lending rates charged by financial institutions, and to place floors on deposit rates. The bill also sought to prohibit the collection of interest payments in excess of the principal sum loaned by a financial institution, in a variation of the standard *in duplum* rule. In January 2019, the RBM responded to the mounting public pressure against wholesale financial market neoliberalism by lowering its policy rate from 16.0 percent to 14.5 percent per annum; reducing the mark-up hitherto applied on the policy rate to obtain the Lombard rate (i.e., the interest rate charged by the RBM when commercial banks accessed the central bank's discount window)[viii] from 200 to 40 basis points; capping all commercial bank base lending rates to the newly set Lombard rate; and reducing the LRR ratio from a uniform rate of 7.5 percent across all types of deposits to 5.0 percent of local currency deposits and 3.75 percent of foreign currency deposits. Further, in May 2019, the RBM reduced the policy rate by 100 basis points to 13.5 percent. It also refined the determination of the base lending rate for commercial banks to become a weighted average of the Lombard rate, the

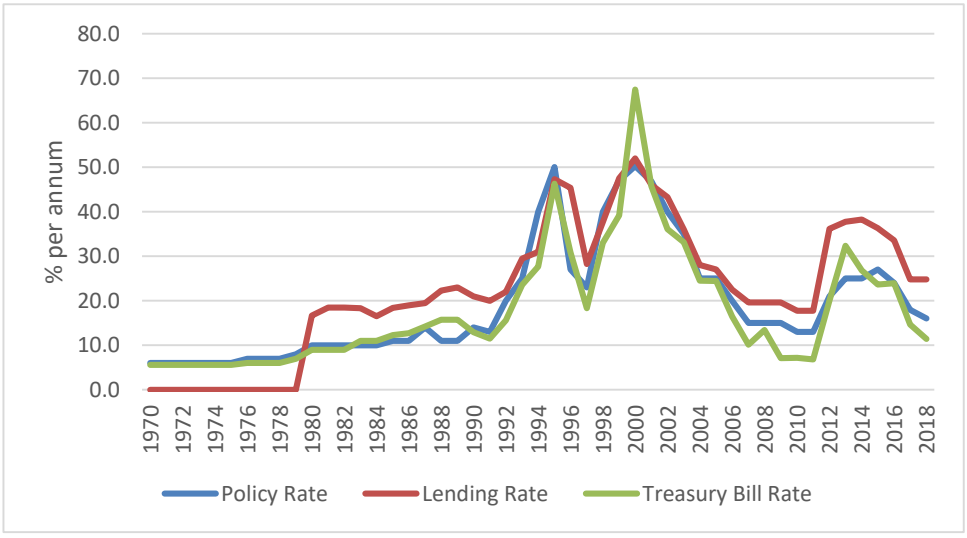
interbank rate, the 91-day Treasury bill rate, and the savings rate. The result of these changes was a corresponding decline in market interest rates, although effective rates still ran in excess of 25 percent for most borrowers. The Financial Services (Amendment) Bill was still under parliamentary scrutiny at the time of our writing.

Figure 5: CPI inflation rate, 1970–2018



Data sources: World Bank; Reserve Bank of Malawi

Figure 6: Interest rates, 1970–2018



Data source: Reserve Bank of Malawi

Notably and crucially, the dreaded inflationary effect of the interest rate cuts was a proven fallacy as single digit inflation persisted beyond the first half of 2019. Although annualised monthly inflation moved from 8.8 percent to 9.3 percent between January and July 2019, this

was largely attributed to rising maize prices occasioned by the stipulated lower-than-required output for 2018/19, as opposed to liquidity considerations.

Post-independence exchange rate policy was equally challenged. Maintaining a stable exchange rate - a prime objective of the government - was an enormous ask because Malawi's trade balance was persistently negative, averaging -11.6 percent of GDP during 1964 - 2017. The country's foreign exchange reserves could only cover an average of 2.0 months of imports during 1970 - 2018, and attempts to prevent adverse fluctuations in the exchange rate tended to exert huge pressure on this precarious reserves position.

Several exchange rate regimes were attempted after independence (Mangani, 2012). The Malawi kwacha (MK) was pegged to the British pound sterling (GBP) from 1964 to 1973; to a trade-weighted average of the GBP and the United States dollar (US$) from 1973 to 1975; to the Special Drawing Rights (SDR) between 1975 and 1984; and to a trade-weighted basket of seven currencies during 1984 - 1994. Frequent devaluations ensued following the adoption of SAPs. In February 1994, the kwacha was floated, resulting in a 62.0 percent depreciation to MK15.58/US$ by December 1994. Pressure on the floated kwacha remained steady until the authorities opted to fix it at about MK139/US$ between May 2006 and November 2009, and at MK151.5/US$ from January 2010 to April 2011. A change in political leadership in April 2012 induced a policy shift reflected in the Economic Recovery Plan dictated by the IMF. One of the key elements of the plan was a devaluation of the domestic currency to MK250/US$, accompanied by its floatation, in May 2012. As a result, the kwacha embarked on a free-fall that was worsened by the withdrawal of donor aid in 2013 due to 'cashgate', as well as low earnings from tobacco exports in 2014. The kwacha traded at an average of MK496.4/US$ in 2015 and MK713.9/US$ in 2016. Periodic improvements in export earnings and donor inflows, the tendency to maintain high interest rates in order to dampen inflation and to make local financial assets more attractive than foreign exchange, as well as other forms of central bank control assisted to firm up the kwacha which continued to trade below a midrate of MK740/US$ by August 2019. The country's foreign exchange reserves position officially stood at 3.6 months of imports in December 2018.

Commercial and industrial development during the first fifteen years after independence was also characterised by strong market intervention, largely achieved through the establishment of a corporate triumvirate comprising two parastatals – the Malawi Development Corporation (MDC) and the Agricultural Development and Marketing Corporation (ADMARC) – and the quasi-privately owned Press Holdings Limited (Press). The government's justification for the creation of these and other parastatals was that some key goods or services could otherwise either not be provided, or be provided inefficiently or inequitably by the private sector or the

civil service (Chirwa, 2000). The government's massive investments in production and distribution were rationalised to constitute a state-driven boost that would trickle down to the masses who were purportedly downtrodden and impoverished by decades of colonial rule.

The MDC, incorporated in 1964, was a financing and holding company for enterprises created or acquired by the state across almost all sectors of the economy. ADMARC, established in 1971 to replace the Farmers Marketing Board, focused on the marketing of agricultural produce and related commodities, in addition to investing in other sectors of the economy. Press, formed in 1970 as Kamuzu Banda's investment arm, also carried out similar activities as the other two (with which it partnered closely). This corporate triad was the only group of local companies allowed to partner with foreign investors prior to SAPs, and to hold equity and debt in virtually all sectors. The three enterprises were collectively set up to moderate foreign dominance in industrial and commercial sectors, and to offer some "degree of economic autonomy without cutting off the flow of foreign investment" (Malawi Government, 1971). Chirwa (2000) reported that, by the mid-1980s, ADMARC alone had invested in 34 commercial enterprises, MDC in 27 and Press in at least 40. Furthermore, through such maladroit legislation as the Business Licencing Act of 1970 – which empowered the minister responsible for industry and trade to arbitrarily reject the granting of business licences, or to cancel them – the state stifled the evolution of a genuinely competitive and efficient private sector.

In addition to the two giant parastatals and their subsidiaries or associate companies, the government also directly owned other commercial and quasi-commercial enterprises in utilities, transport, housing, manufacturing and other sectors. It was estimated that Malawi had 77 such SOEs before the start of the economic reforms in the early 1980s, of which 24 were directly owned by the state while the rest were either majority-owned or minority-owned by the state through ADMARC and MDC (Magalasi, 2008). The government also created several non-commercial (subvented) parastatals in education, health and other social sectors, which were dominated by the University of Malawi in terms of significance and fiscal implications. The World Bank (1994) estimated that the number of SOEs picked to 121 by 1992, but more continued to be created even as some were being subsequently reformed or privatised.

This commercial and industrial development strategy meant that the government controlled the production, pricing and marketing of agricultural commodities through ADMARC and its subsidiaries; the pricing and allocation of credit through the triad's shareholdings in banks and other financial institutions; as well as the pricing and delivery of all other key commodities, utilities and services whose production and/or trading the triad and the other SOEs dominated. MDC also held most of the equity in the hotel industry. The little manufacturing that there was, mostly agro-processing and light industrial activities, was also dominated by the triad's

investments. Inevitably, the triad collectively wielded enormous economic control. Some authors alleged that, by 1977, Press and its subsidiaries had a gross turnover equal to one-third of GDP, while the SOEs contributed a quarter of GDP (Lwanda, 1993).

The rates of return for commercial SOEs were very impressive during the first half of the 1970s (averaging 20.7%), but deteriorated during the economic crisis period to an average of -0.89 percent between 1979 and 1983 (Chirwa, 2000). Most of this deterioration could be attributed to political extraction. For instance, ADMARC was involved in the diversion of resources from smallholder farming to tobacco estates, often owned by members of the ruling elite. Almost all SOEs were equally exploited, a tendency that was still rife as we wrote. This poor performance was among the justifications for the adoption of SAPs. Key SAP-induced reforms in this area included various phases of parastatal reforms that started in 1981, and the privatisation programmes that started as early as 1984 but were stepped up upon the creation of the Privatisation Commission through the Privatisation Act of 1996; the decontrol of commodity prices and the liberalisation of agricultural markets; a repeal of the Special Crops Act in 1995 to lift restrictions on smallholder production of burley tobacco; a review of the Banking Act in 1989 to allow the entry of new banking investments; as well as the abolition of preferential interest rates that favoured the agricultural sector in 1988 and full liberalisation of interest rates by 1990. Major industry and trade reforms were implemented in 1988 through the Industrial and Trade Policy Adjustment Programme which eliminated quantitative restrictions and reviewed trade taxes.

The privatisation of SOEs up until around 1992 involved asset swaps between ADMARC and Press, the disposal of equity interests held by both ADMARC and MDC, as well as restructuring initiatives in heavily financially troubled parastatals, notably ADMARC and Malawi Railways. Upon the enactment of the Privatisation Act in 1996, largely championed by the World Bank, the objectives of the privatisation process were formally pronounced as fostering increased efficiency in the economy; increasing competition and reducing monopoly; promoting participation by the Malawi public in enterprises; and raising revenue for the government. By 2002, some 53 SOEs were privatised through the disposal of government shares and occasional awards of concessions (Magalasi, 2008), while most of the rest were also eventually disposed of or restructured. The Privatisation Commission was transformed into the Public Private Partnership Commission (PPPC) in 2011.

The original three holding corporates were affected differently by the reforms. ADMARC went through periods of partial privatisation and other forms of transformation to allow greater private sector participation in agricultural marketing and in its other functions, but remained an inefficient government-controlled operator which required frequent Treasury bail-outs against

ill-acquired liabilities. MDC was liquidated in 2006 when it could not pay off its debts, and when its portfolio contained significant amounts of politically connected toxic assets as well as other ill-advised investments, including a five-star hotel project which turned into a white elephant before the infrastructure was eventually acquired by the Malawi Revenue Authority (MRA). Press went through various reforms, but was finally converted into a public trust under the Press Trust Reconstruction Act of 1995. The act effectively transferred the ownership of Press from Kamuzu Banda's inheritors to the public, and redefined Press Trust's charitable objectives, in order to restore some semblance of sanity to the looting carried out through it by its founders.

The effects of privatisation were mixed (see Chirwa, 2000; Magalasi, 2008) and a comprehensive analysis was wanting, but the process largely benefited foreign investors (Chipeta, 2009). In the same vein, over two decades later, the practical national benefits of Press' restructuring begged interrogation.

The country's development policies after the adoption of SAPs consistently emphasized the significance of entrenching the private sector as the engine for growth (Government of Malawi, undated, b; Malawi Government, 2017), but the private sector remained weak. Its annual contribution to total investment averaged only 44.5 percent during 1975 – 2016, according to World Bank data. Between 1975 and 1999, annual total investment averaged US$232.3 million, although this steadily increased to US$734.4 million during 2000 – 2016. Total investment in 2016 alone was estimated at US$825.1 million, of which a relatively commendable 59.0 percent was from the private sector.

In general, the role of the private sector in economic growth did not increase substantially as envisaged by the overarching policy objectives and reforms. This was the result of many factors, notably the high cost of transporting imports and exports. In addition, an Investment Climate Survey conducted in 2016 (see Chilima *et al.*, 2017) identified four top constraints to private sector development, namely poor access to and the high cost of finance, unreliable electricity supply, the high cost of dealing with corruption, and an unfavourable tax regime. A similar study conducted in 2006 also cited the first two, but included macroeconomic instability and lack of skilled workers. This trend buttressed the view that corruption and its adverse effects were worsening over time. Subsequent efforts to address a selection of investment challenges were evidently rewarding, such that the country's ranking in the 2018 Doing Business Report improved by 23 steps to 110 of 190 countries (World Bank, 2018). This improvement was largely attributed to the enactment of the Credit Registration Bureau Amendment Act of 2015, as well as legal improvements in protecting minority investors and resolving insolvency. Nevertheless, the report noted that investors continued to face

challenges in obtaining permits and dealing with tax authorities. The concerns raised by the two Investment Climate Surveys remained persistently bothersome.

Building on the long-term vision of transforming the country into an export-oriented economy (National Economic Council, 2000), the MGDS II isolated trade under the theme of sustainable economic growth, while the MGDS III proceeded in the same spirit. Malawi was a member of the Common Market for Eastern and Southern Africa (COMESA), the Southern African Development Community (SADC), and the World Trade Organisation (WTO). It was also signatory to the new African Continental Free Trade Area (CFTA) created by the African Union, and had bilateral trading agreements with South Africa, Zimbabwe, Mozambique and Botswana. Being one of the world's least developed countries (LDCs), Malawi was a beneficiary of multiple preferential trading arrangements, such as the Everything But Arms (EBA) of the European Commission (EC) and the African Growth Opportunity Act (AGOA) offered by the USA. China and India, among others, also offered preferential treatment to Malawian products. However, without a thriving private sector, trade liberalisation placed Malawi as a dumping zone for foreign products, while also foregoing enormous revenues.

3 Poverty Profile

Poverty reduction and the attainment of lasting socio-economic development are the professed objectives of every government in the developing world, and failure to achieve them can be a catalyst for critical junctures – that is, major events or confluences of factors that disrupt the existing balance of political or economic power in a society (Acemoglu & Robinson, 2012, p. 431). For example, the relegation of Nyasaland and Northern Rhodesia to subordinate roles over Southern Rhodesia during the Federation Decade, and the less-than-impressive social and economic outcomes that followed in the subordinated territories, fuelled resistance against the federation. Kamuzu Banda advanced Kwame Nkhrumah's argument – "seek ye first the political kingdom and all other things shall be added unto it" – to effectively demolish the federation (Short, 1974, p. 163) and earn himself the accolade of the Destroyer of Federation (DoF). Dunduzu Chisiza, a renowned economist of the Nyasaland independence struggle, collaborated this philosophy. His economic vision for Africa was founded on the assumption that colonialism was a major obstacle whose end was a panacea for growth and development, although he grappled with the near-accurately foreseen prospect of strong-man African governments degenerating into dictatorships (Chisiza, 1963).

As noted, the adoption of liberal economic policies and reforms since 1981 also had a strong poverty reduction objective which was more explicitly trumpeted at the turn of the century. Political pluralism was similarly frequently touted as a necessary condition for accelerating poverty reduction through inclusive growth (see, e.g., Mills *et al*, 2017; Acemoglu & Robinson,

2012). As a result of the political change of 1993-1994, institutions of power separation and accountability were established which, as noted, tended to make a significant claim on the Treasury. Key among these were the judicial and legislative branches of the government that were deemed independent of the executive branch, as well as institutions promoting human rights, public financial accountability and transparency. It follows, therefore, that the real test of effective governance is in its ability to reduce monetary and nonmonetary poverty, and to advance the social and economic status of the citizenry.

Malawi's performance on the nonmonetary poverty metric was mixed. On a positive note, World Bank data showed that life expectancy at birth increased from 37.8 years in 1960 to 63.8 years in 2017, while both the under-five and infant mortality numbers per 1000 live births declined markedly, the former from 353.2 deaths in 1965 to 55.4 in 2017; the latter from 211.8 deaths to 38.5 in the same period. The prevalence of underweight children also logged a downward spiral, from 24.4 percent of under-five children in 1992 to 11.7 percent in 2015. A comparative interrogation of the World Bank data showed that the progress in these indicators surpassed those recorded by other countries in the region, notably Zambia and Zimbabwe, such that Malawi attained the MDG of reducing child mortality by 2014 (Ministry of Finance, Economic Planning and Development, 2014). Out of the eight MDGs adopted by the United Nations in 2000, Malawi also met an additional three, namely: combatting HIV and AIDS, malaria, and other diseases; ensuring environmental sustainability; and enhancing global partnership for development.

Nevertheless, other nonmonetary measures of well-being were still at wanting levels, and Malawi failed to meet the MDGs on achieving universal primary education; promoting gender equality and empowering women; as well as improving maternal health. Net primary school enrolment only increased mildly between 2000 and 2014, falling short of its 100 percent target by 15 percentage points, and the national literacy rate hardly exceeded 75 percent in 2014. Gender equality and maternal health indicators remained particularly stuck at low rankings. Moreover, the limited improvements in nonmonetary measures of poverty hitherto recorded were unevenly distributed across the population, accruing more to the high-income percentile with little or no marginal gains for the bottom 40 percent (Record *et al,* 2018).

Meeting the MDG of ensuring environmental sustainability ought to be lauded with caution. Although the overall result reflected progress in access to improved water sources and sanitation, scores against forest cover, biodiversity protection, and use of solid fuels were worrisomely low. Evidently, the subsequent SDGs adopted in 2015, which attached greater weight to environmental sustainability than did the MDGs, could be much harder to achieve in a country where openly burnt clay bricks had not yet been abandoned in favour of concrete

blocks; where the government traded its responsibility to enforce rules for popularity; and where World Bank data revealed that only 12.7 percent of the total population (and 3.7% of the rural population, against an urbanisation rate of only 16%) had access to electricity in 2017. The government acknowledged that the rapid growth of a largely rural population posed a huge challenge in mitigating environmental degradation (Malawi Government, 2017).

Comparisons between the results of the Third Integrated Households Survey (IHS3) which was conducted during 2010 - 2011 and the subsequent IHS4 of 2016 - 2017 (see Table 2) showed that the progress on education attainment remained firm, but poor health was a rising challenge. Moreover, there was no improvement in the population's dependence on environmentally unsustainable energy sources.

Table 2: Progress in selected social indicators

Sector	Indicator	IHS Outturn		
		2011	2017	*
Education	% never attended school, age >= 15 years	21.1	14.2	
	% literacy, age >=15 years	65.4	72.8	
	Net primary school enrolment, %	85.8	87.8	
	Net secondary school enrolment, %	13.0	14.3	
	Primary school dropout rate, %	1.3	2.0	
	Secondary school dropout rate, %	11.9	10.4	
Health & Sanitation	Incidence of illness, %	17.8	25.6	
	Incidence of chronic illness, %	5.0	6.4	
	% with improved sanitation	72.4	70.5	
	% with access to improved water source	78.7	87.1	
Environment	% of enterprises that sell forest-based products	13.2	11.9	
	% using solid fuels for cooking	97.4	98.0	
	% with access to electricity	7.6	10.7	
* Progress:	Improvement	Deterioration		

Data sources: Republic of Malawi, 2012; 2017

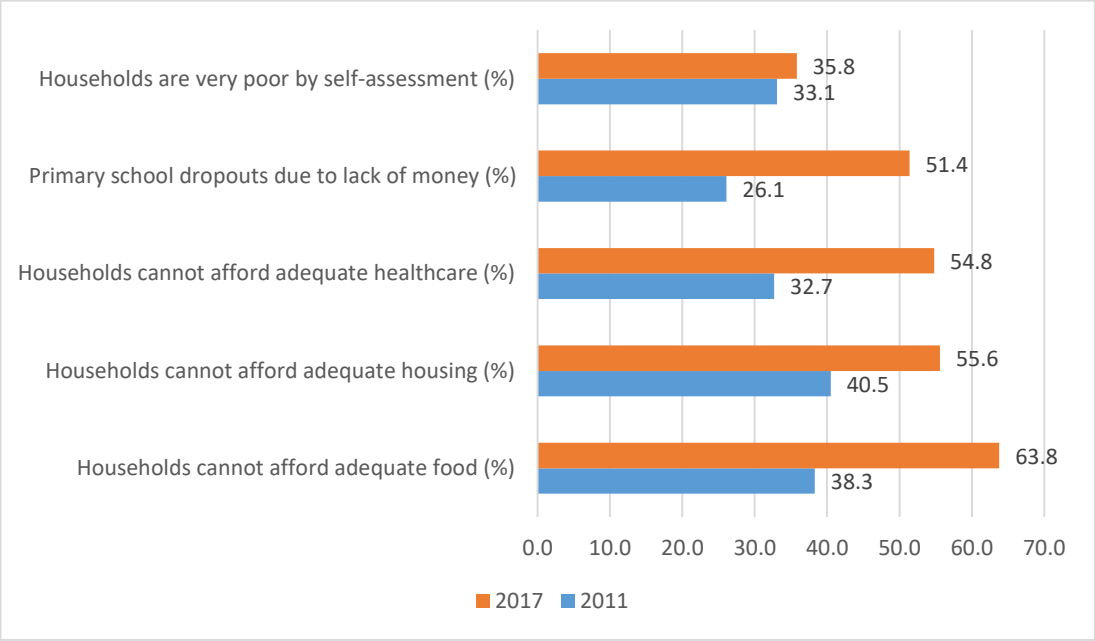
Malawi's score on the 2017 Human Development Index (HDI) of the United Nations Development Programme (UNDP) was 0.477 against a possible maximum of 1.0, hence below the average for both Sub-Saharan Africa (0.537) and the world's Least Developed Countries (0.504). The country was ranked at position 171 out of 189 countries by this metric, claiming a place among the unenviable group of countries whose stagnation was characteristically attributable to prolonged armed conflict, despite that post-independence Malawi had been markedly spared this adversity.

Redirecting the discussion to the monetary measures of poverty did not depict any better a picture, as the MDG of eradicating extreme poverty was grossly unmet by 2014. According to the IHS3, the proportion of the population living in moderate poverty declined mildly from 53.9 percent in 1998 to 50.7 percent in 2011, way above the set MDG target of 27 percent, while the ultra-poor proportion was 24.5 percent against a target of 10.0 percent. Even worse, instead of doubling the national consumption share of the poorest quintile to 20 percent as desired by the MDGs, this share actually declined further to a mere 5.5 percent by 2011, hence depicting a worsening inequality trend. World Bank data showed that Malawi's Gini index[ix] deteriorated from 39.9 in 2004 to 45.5 in 2010, partially reversing a remarkable improvement recorded after 1997 when it was at 65.8.

The monetary poverty analysis in the IHS4 presented mixed outcomes (see Government of Malawi, 2018; The World Bank, 2018, p. 10). On a positive note, both the ultra-poverty rate and the Gini index declined between 2011 and 2017; the former from the said 24.5 percent to 20.1 percent, and the latter from 45.5 to 42.2. For the rural areas, the decline in the Gini index was particularly significant, from 38 to 32. On the other hand, the IHS4 revealed that the population living in moderate poverty increased slightly from 50.7 percent to 51.5 percent during the same period. The poverty headcount rate in rural areas increased by 2.8 percentage points between 2011 and 2017, a worse picture than the national average. A preliminary analysis suggested that the decline in both inequality and ultra-poverty was partly due to the government's social protection programs and the post-2016 food security response, both of which were heavily bank-rolled by donors. Clearly, the recorded improvements did not depict an increase in the poor's ability to earn or meaningfully participate in the marketplace, nor the durable success of the combination of government and donor policies. On the contrary, the evidence confirmed that neoliberalism had failed to lift the masses out of poverty, thereby increasing the need for free hand-outs to sustain the ordinary business of life and to survive vulnerability to even the mildest of shocks. The cosmetic nature of these improvements was conceivably not in dispute among objective analysts.

A general deterioration in monetary poverty could be further inferred from the two surveys. Figure 7 shows that more households could not afford food, housing or healthcare in 2017 relative to 2011, and that an increasing number of primary school dropouts cited lack of money as the reason for dropping out. As a result, the primary school dropout rate worsened from 1.3 percent in 2011 to 2.0 percent in 2017. It was disheartening that poverty deteriorated during the IHS4 survey period, considering that this period was characterised by above-average agricultural performance.

Figure 7: Deteriorating poverty during 2011 – 2017



Data sources: Republic of Malawi, 2012; 2017

An estimated 84 percent of the population of Malawi was rural-based; 51 percent was under the age of 18 years; more than one-half was female; and three in ten households were female-headed (National Statistical Office, 2018; Malawi Government, 2017). Against these realities, Malawi's poverty displayed both geographic and demographic attributes, disadvantaging women, children and rural populations more. The IHS3 revealed that poverty was a bigger challenge in the Southern Region where 44.9 percent of the population lived (of whom 63% were poor) than among the Central Region's 42.1 percent of the population (of whom 49% were poor). The Northern Region's poverty incidence was 60 percent. Moreover, About 57 percent of people in female-headed households were poor, compared with 49 percent among those in male-headed households across the country. The IHS4 further confirmed that the incidence of poverty was most prevalent in the rural areas (59.5%) than in urban areas (17.7%), and that rural poverty hit the Southern Region harder (affecting 65% of the region's rural population) than the Central Region (53%). An intermediate 59.9 percent of the Northern Region's rural population was also poor in 2017.

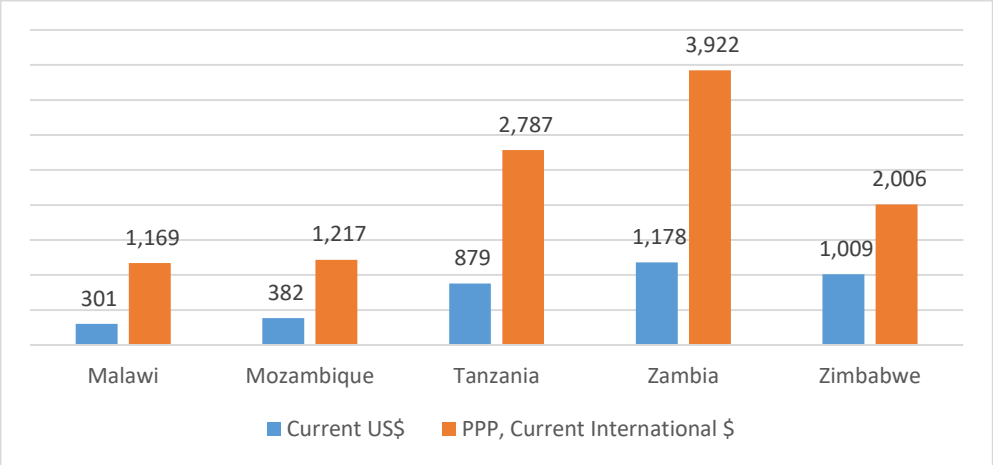
Other studies showed a nonmonetary child poverty situation that was more worrisome than the monetary measures tended to suggest. UNICEF Malawi (2016) determined that, at 43 percent, monetary poverty tended to understate the deprivation of the country's children. Upon constructing and applying a unique multidimensional child poverty indicator (MCPI)[x] using data from the Integrated Household Panel Surveys (IHPS) collected during 2010 -2011 and 2013, the study showed that some 63 percent of Malawian children were multidimensionally poor. More revealingly, at 73 percent, multidimensional poverty was highest among the oldest age-

group of children (i.e., 15-17-year-olds), while monetary poverty was highest among 5-14-year-olds at 44 percent.

Although annual GDP growth averaged 4.4 percent during 1964 - 2017, this had not been consistently realised in that period. As noted, the buoyant growth experienced in the early years after independence was subdued in the 1980s, and economic recovery beyond the 1980s was never consistently sufficient to apply a lasting dent on poverty. Previous studies showed that a sustained annual economic growth rate of at least 6.0 percent was necessary to achieve a 50 percent reduction in poverty within 15 years in Malawi (Ministry of Economic Planning and Development, 2003, p. 1), but the country only grew by an annual average of 4.3 percent during 2000-2017.

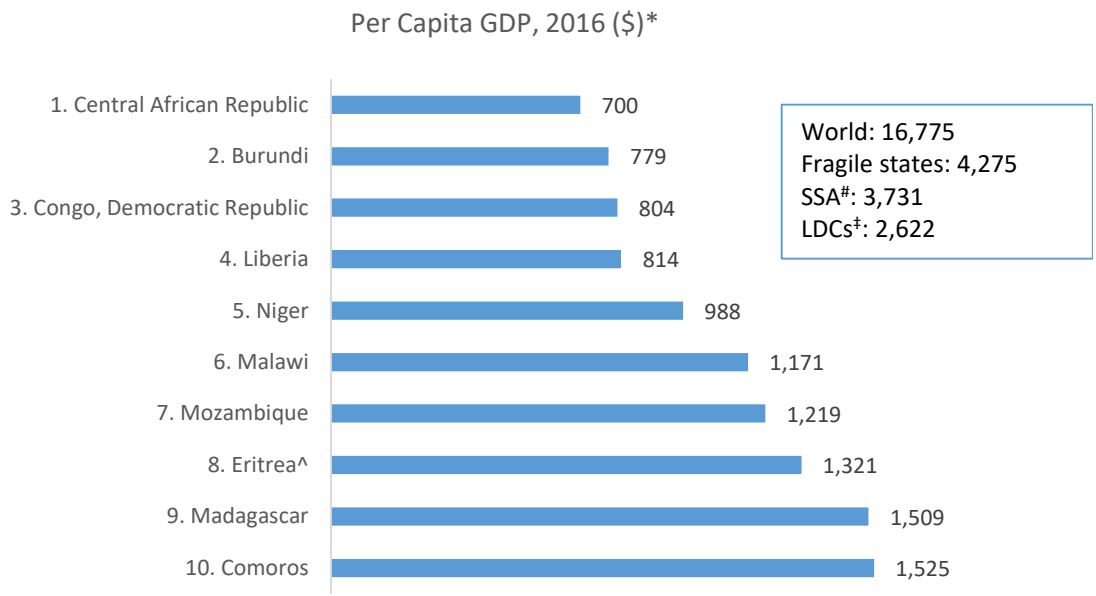
In current US dollar terms, Malawi's per capita GDP increased from US$45 in 1960 to US$301 in 2016. However, the comparable 2016 figures for Tanzania, Zambia and Zimbabwe, at US$879, US$1178 and US$1009 respectively, tended to expose the relative magnitude of Malawi's economic strife. Mozambique, a politically unstable country during most of the seventies and eighties, had already recovered from a devastating war to surpass Malawi, albeit mildly at that point (Figure 8). This picture did not change when the comparable income per capita figures were adjusted for purchasing power parity (PPP). Malawi's GDP per capita, measured in PPP-adjusted current international dollar terms, was estimated at $1171 in 2016. This ranked the country as the world's sixth poorest, outperforming only a few African countries plagued by conflicts in recent times (Figure 9). The country's per capita GDP was only 7.0 percent of the world's average, and less than a third of the average for both fragile and conflict-affected countries as well as Sub-Saharan African countries.

Figure 8: GDP per capita for Malawi and her neighbours, 2016



Data source: World Bank

Figure 9 - The world's poorest countries



* PPP-adjusted in current international dollars.

Data sources: https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD except Eritrea

^ Data source: https://www.gfmag.com/global-data/economic-data/the-poorest-countries-in-the-world?page=12

#Sub-Saharan Africa; ‡Least Developed Countries (UN classification)

4. Delineations

While the Malawi Government ought to assume responsibility for the country's below par developmental outcomes summarised above, it is improper and dangerous to ignore the fact that policy formulation since the early 1980s was largely foreign-influenced. In fact, donors were stronger stakeholders than the electorate in shaping public policy and holding leaders to account, and must equally share in the outcomes.

Economic liberalisation policies were poverty-deepening: production subsidies that primarily benefited the poor were removed; upward-sticky lending rates, together with the accompanying stringent collateral requirements, wiped out prospects for bank lending to small-scale and medium-scale enterprises; the privatisation of SOEs mostly benefited foreign investors and the connected elite who acquired them for a song; fiscal management prescriptions depressed wages and critical social spending by the government, as administrative spending ballooned; high tax rates dampened the emergence of a middle class; extractive institutions broadened their grip at the exclusion of the poor … the list is endless.

Having orated policies with these effects, the IMF, the World Bank and other donors eventually turned to advocate for cushioning the resultant poverty by introducing costly safety net

programmes which the country could ill-afford without recourse to more foreign grants and debt. Eventually, donors argued that FISP inputs, cheaper credit and other subsidies should be directed towards productive farmers and entrepreneurs, which questions the merit of the original liberalisation argument because a 'productive producer' should, by definition, be able to afford inputs at market value (i.e., without the need for subsidisation). The donor arguments could also be faulted from the perspective that the cash transfers which they ardently supported were, in fact, very poorly targeted consumption subsidies, albeit directed towards the purportedly 'unproductive' segment of the population. Although the data clearly showed that the labour-constrained ultra-poor were not evenly spread in geographical terms, the Malawi Social Cash Transfer Programme continued to target a uniform 10 percent of the population in each district[xi]. Worse still, having created a fiscal regime that made it impossible for the government to balance its budget, and despite being the key issuers of foreign debt - most of which was provided without adequate local technical interrogation – donors scornfully blamed the government for the rising debt stock (Record, *et al,* 2018, 21; International Monetary Fund, 2018). As the data suggested, presenting pre-SAPs Malawi as an economic failure was incorrect, although the same could not be said about post-SAPs Malawi; the latter being a regime of shared failure.

The fact that economic management needed to change in the early 1980s was not in dispute, because the economic and political institutions established by the MCP immediately after independence were barefacedly extractive and limited the opportunities for inclusive growth. The problem was not necessarily that the state was developmental; it was about the structure of the accompanying institutions which the neoliberal remedies ideologically failed to comprehend or deliberately ignored to take advantage of the largely short-term economic challenges of the late 1970s for their profit, leading to a fateful mismatch between diagnosis and prescription. It was this mismatch that created a growing and lasting despondency about the prospects for development.

Nevertheless, even in the subsequent regime of shared failure characterising the era of and after reforms, the elected leaders of the government ought to bear the full blunt of the consequences of the process – and rightly so – because an astute and benevolent government, cognisant that an effective developmental state founded on inclusivity is possible and even necessary (Mkandawire, 2001), should be more cautious and calculative by strengthening public institutions to ensure that donor advice is met with matching local expertise. This requires an appropriate balance between incentives and sanctions within the public service, in addition to a political culture that values evidence and rewards professionalism. Regrettably, Malawi's non-functional institutions were a worsening ordeal that could interminably deteriorate if unchecked, a point further elaborated in the sequel.

Adequate local analyses of the developmental priorities of the country were limited by a growing human resource challenge. The quality of the human resource in the civil service was fast declining due to low public sector wages and wide wage disparities, in addition to an overall decline in education standards. Public sector wages were kept low in line with the IMF's definition of fiscal prudence, which required that the government's wage bill should be within the average for low income developing countries, at around 7.5 percent of GDP or 27 percent of the budget (International Monetary Fund, 2016). At the same time, the government was continuously pressured to create new agencies and institutions that required additional human and financial resources. There existed wide wage disparities among the three arms of the government and their various agencies, as well as the various independent or constitutional bodies. These disparities grossly disadvantaged mainstream civil servants, created tensions, and raised the incentives for unwarranted travel, rent-seeking and corruption. Moreover, the finer minds among the unacceptably underpaid civil servants were easy prey for the much better-paying agencies and projects of the very donors who were hell-bent on keeping government wages low. The result was high public sector attrition rates, declining human resource quality, compromised public service delivery, and a very high marginal utility for corruption. Despite being one of the best performing public services in the 1970s and the early 1980s, on the government of the day's own admission, the performance of the service had been deteriorating over the years. Consequently, the government was no longer able to deliver adequate and quality public services, and to effectively implement policies and programmes that were crucial for poverty reduction and the overall development of the country. The government further self-confessed that, as a direct consequence of this human resource situation, the country was unable to "move the majority of its people out of poverty and [was] unlikely to realise the Vision 2020" (Office of the President and Cabinet, 2018, p. 3). It was predictable that the newly created Public Service Remuneration Board would find it challenging to eliminate these wage disparities, some of which were legally entrenched or promoted in the spirit of public agency autonomy.

Demotivating remuneration was not limited to the civil service. At only about US$1.30 per day in 2019, the official minimum wage could hardly support an average household of 4.4 persons (National Statistical Office, 2018), let alone that of 5.7 persons for those in the poorest quintile (Republic of Malawi, 2012). From this low base, the wages of semi-skilled and skilled labour did not rise significantly in most sectors. The implications in terms of low labour productivity, deepening poverty and corruption were perceptible.

Political interference in the work of technicians also tended to frustrate the prudent local analysis of development priorities in general, and donor interventions in particular. As politicians sought quick-wins to gain political mileage, their short-term priorities could hardly

coincide with the focused analytical work of technicians, especially during a change of government. Instead of limiting their role to policy formulation and oversight of the policy implementation process, politicians habitually delved into actual implementation, and tended to overlook institutional structures to achieve their short-term objectives. The culture of patronage resulting from this scenario fuelled institutional failures that frustrated orderly decision-making. It was largely for this reason that the implementation of many carefully formulated government policies was distressingly poor. The country was yet to see whether the newly established National Planning Commission would indeed be effectively insulated from the politics of the day as envisaged by the enabling law. With commissioners appointed by and directly reporting to parliament, and with a director general appointed through a competitive process, all that was required to guarantee an affective NPC could be a corresponding political will. In practice, the party manifestos launched during each electoral cycle naturally paused a political risk to the effectiveness of both the commission and the medium term planning process.

Development should largely be a result of the collective effort of a country's people. Entrenched dependency on rain-fed agriculture for two-thirds of the population implied that a significant part of the labour force was idle more than one-half of the year. Arguably, the unemployment rate of 6.8 percent of the labour force (World Bank data) was a gross understatement, as it ignored seasonal unemployment and enormous idle time. Poor incentives in the public sector had the effect of demotivating the supply of effort and commitment, and attendance in training courses was largely driven by pecuniary ends (i.e., to enhance personal earnings through receipt of daily subsistence and travel allowances) rather than the desire to acquire new skills. Moreover, the amount of public sector idle time was worsened by a global, continental and regional 'development' architecture that placed enormous demands on public officials to travel to limitless conferences, summits, workshops and a range of other meetings of little national profit, often ignoring modern technological advances that, for instance, could effectively permit teleconferencing. Without a shift in this setting – and a shift was not in sight – Malawi might never graduate from excessive reliance on technical assistance, even for some rudimentary skills. In the private sector, capacity utilisation was perpetually below its full level due to macroeconomic instability and the aforesaid doing business challenges; challenges that frequently led to downsizing or outright disinvestment, and also deterred new local and foreign investments. These factors also created enormous technical inefficiencies (World Bank, 2013) and implied that the economy frequently operated far below full employment.

The country had also paid heavily for political repression and intolerance, traits that were borrowed from colonial rule – and which independence sought to repeal. Kamuzu Banda

quickly established a paramilitary wing of the MCP, called the Malawi Young Pioneers (MYP), which, together with the party's Youth League, was responsible for widely documented atrocities of unimaginable proportions against Banda's opponents (Lwanda, 1993; McCracken, 2012; Mpasu, 2014; Phiri, 2010). The human resource cost was very heavy: many educated people, if they survived at all, fled the country as traced by Mwakasungura and Miller (2015). Muluzi's UDF and other pressure groups successfully led the fight against this dark historical spot, but these elements almost reincarnated sooner rather than later, first in the form of the Young Democrats. Albeit not as armed as the MYP, the Young Democrats were also dreaded 'animals' with enormous potential to degenerate into a vicious arm of the UDF. The DPP's version of these ill-used youthful party members were the so-called Cadets, equally known for atrocious tendencies and for instilling fear. Although hypothetically at a lower scale than during the MCP rule, the use of undue force on civilians was not fully resisted by democratic Malawi's ruling elite. For instance, at least 20 people were gunned down and many more injured during anti-government protests on 20 July 2011. In the background of these operatives were extractive institutions which determined who got what, when and how, and instilling fear became a blunt strategy for perpetuating the status quo. Although peace was Malawi's reputation, therefore, the free flow of opportunities and resources remained grossly thwarted by these and other extractive institutions. That investment and development thrives better when people are generally free to make their choices and to question the leadership dominates the development literature (Acemoglu & Robinson, 2012; Millis *et all*, 2017, p. 45). This thesis is perhaps correct as a general rule, notwithstanding the existence of notable deviations with enviable levels of success, both in Africa and beyond.

Democratic Malawi had also perfected one of the most dreadful ills of society – public sector corruption. Democracy was an expensive governmental experiment, both to the nation (because of the requirements to conduct periodic elections; to effectively operate a system of checks and balances; and to incentivise political participation) and to politicians (because of the enormity of the resources required for canvassing, running party structures, and sustaining their relevance at all times). It was mostly the latter cost which became a recipe for heightened corruption, because it created financial and material indebtedness to supporters and financiers of political parties and electoral candidates, while at the same time limiting the assurances of success in elections and the perpetuation of power by the ruling elite. This, magnified by the sheer decay of moral sentiments, patriotism and integrity – attributes which were largely unrewarded and which it was sometimes suicidal to possess – led to the emergence of new networks of extractive political and economic institutions in democratic Malawi, replacing similar ones created during the period of one-party rule. However, the scope of corruption enormously distended in the democratic dispensation, since the numbers of political players,

supporters and financiers were amplified, and the risks of loss of political power were much higher. Each rotating group of rulers tended to create its own networks. Of equal concern was that corruption had spared neither the legislature (which sets the rules of the game), nor the judiciary (to which people ought to look for a politically neutral custody of standards), thereby lowering the risks of indulging in this devious 'in-thing' and deepening state capture. The trickle-down effect of this was a widely skewed collective national mind-set void of responsible citizenship, hence presidential billboards preaching 'patriotism, integrity and hard-work', once common sights across the country's length and breadth, were viewed with matching contempt.

In one of the most shocking episodes of organised corruption, an audit report compiled in September 2014 estimated that 'cashgate' resulted in the loss of about MK15.5 billion (US$42.6 million) through ineligible expenditures made during the six-month period from 1 April to 30 September 2013, while an additional MK4.9 billion (US$13.3 million) was at risk of either lacking supporting evidence or being overpayments to suppliers. Another MK3.9 billion (US$ 10.7 million) was also at risk, but further supporting evidence was required at that point (Baker Tilly, 2014). The true extent of the loot will probably never be known, nor is it likely that its key perpetrators will ever be held to full account, although justice had already prevailed on some of the relatively less prominent culprits. A subsequent audit finding that an estimated K236 billion could not be reconciled during 2009 – 2013 tended to support a widespread belief that 'cashgate' had a long history involving the loss of much bigger sums of public funds. Moreover, 'cashgate' became a precursor to other genuine as well as ill-conceived 'gates', including 'tractorgate', 'maizegate', 'fuelgate', and 'policegate'[xii].

As we wrote this note, the country was still grappling to understand how a project to lift water for domestic and industrial use from Lake Malawi in Salima to Lilongwe City could have proceeded without comprehensive feasibility studies nor a prior determination of full financing arrangements. Estimated to cost US$500 million (or 73% of the country's gross official foreign exchange reserves as at September 2018), the fact that the project's contractor had already mobilised equipment from South Africa in line with an existing contract meant that the government was already locked into a liability running in millions of dollars regardless of whether or not the project would proceed[xiii], while delays in resolving the issue of financing arrangements implied huge cost overruns – a common phenomenon that reflected serious gaps in contract management. The need to address the water challenges in Lilongwe were very genuine, but this project illustrated how desperation could be used to justify deliberate wrong-doing that potentially rewarded decision-makers and their accomplices. At the pick of the Salima-Lilongwe water project controversy, in 2017, the World Bank rewarded the government with general budget support worth US$80 million. Further such support worth an additional US$60 million was, however, being withheld as at March 2019.

Deepening corruption that cut across all sectors – public, private, religious, media and civil society organisations – was arguably the most common headline of the local media in the build-up to the May 2019 general elections and beyond. Malawi scored 32 points out of 100 on the 2018 Corruption Perceptions Index reported by Transparency International, a low score implying high corruption. The index averaged 32.33 points during 1998 - 2018, with an all-time high of 41 points in 1999 and a record low of 27 points in 2006. More revealingly, the 2018 assessment meant that Malawi was the 120th least corrupt nation out of 175 countries. The country's average rank was 90.81 during 1998 - 2018, reaching a record low of 43 in 2000 while the 2017 rank of 122 was its all-time high[xiv]. The picture was undoubtedly unpleasant.

The developmental costs of public sector corruption were enormous. Stretched to its extreme form, as revealed by 'cashgate', corruption involved government expenditures for goods and services that were not delivered at all. More generally, it tended to significantly raise the costs of providing public goods and services; to distort the business playing field, usually in favour of relatively less efficient suppliers or providers; to disincentivise investments by the politically unconnected; to support unrequired and wasteful procurements and investments; and to perpetuate demerits such as environmental degradation because of its indecency of negligently licencing the exploitation of natural resources even before the country was technically ready to strike the best possible deals. Corruption also threw conventional production and growth theories out of the window, and stifled distributive justice, because it implied that enormous personal and corporate wealth could be accumulated by a select few without the employment of commensurate quantities of factors of production, while subjecting the excluded majority to the harsh vagaries of the marketplace, complete with its imperfections. The costs of fighting high level corruption escalated as compromised public accountability agencies ran endless battles with questionable sincerity. It was once estimated that one-third of the government budget was lost through corruption, and the implications in terms of lost opportunities to genuinely fight poverty were palpable (Oxfam International, 2018). It was also evident that corrupt leaders had a high propensity to cling on to power and to undermine democratic institutions with impunity. The opportunity cost of all this accrued in terms of crumbling social services and deepening poverty. Intertemporally, Malawi's corruption had succeeded in placing a mammoth burden on future generations in terms of repaying these costs and attempting to reverse a deeply entrenched evil bequest, complete with its accompanying untamed poverty. It is by this measure that posterity will judge part of the country's ancestry.

Last, but not least, the country was sitting on a time-ticking demographic threat. The 2018 population of 17.6 million was projected to grow to 20 million by 2020 and 43 million by 2050 (National Statistical Office, 2018; The World Bank, 2018). A rising population should create a

market for industrial output and sustain the demand for labour in a functioning economy with commensurate opportunities for gainful employment. The absence of such opportunities in Malawi implied that the much touted demographic dividend conversely posed the enormous risk of a population hazard which the authorities were ill-preparing for, if they were concerned at all. Without an urgent reversal of the trends in development planning and implementation, it was difficult to imagine how the country would cope with the impending population boom.

Conclusion

The persistence of poverty in Malawi was a mark of government failure occasioned by many factors that ranged from challenged initial conditions at independence, wrong policies and policy reversals, and the evolution of vicious extractive institutions. In terms of economic management, Malawi wasted vital early years in pursuit of policies that restricted inclusivity and drained the Treasury, and the shock treatment of neoliberal policies only served to entrench further failure. Heavy reliance on hoe-based and rain-fed agriculture did not turn Malawi into the envisaged bread-basket, and the sector's subsequent liberalisation created a smallholder sub-sector that could not survive without the costly and corruptly implemented FISP. Although the post-SAPs investment regime was more liberal with limited controls, capital was too expensive due to an ill-fitted monetary policy rule that purported to contain what was principally food and exchange rate-induced inflation using upward-sticky interest rates, instead of catalysing production since "too few goods chasing too much money" is just as inflationary. Low investments in public utilities, especially electricity, was a further limitation to private investment and employment creation. Without a thriving private sector, trade liberalisation buoyed a deterioration of the external balance, and managing a floating exchange rate became a persistent nightmare. Add to this declining human resource quality, disguised unemployment, excessive idle time, rent-seeking, indiscriminate corruption, exponential population growth, galloping environmental degradation, a government bigger than what the economy could realistically support - and one could visualise the looming quagmire of a truly failed state.

The country's long-term vision for the first part of the 21st century summarised the aspirations of Malawians succinctly as follows:

> "By 2020, Malawi, as a God-fearing nation, will be secure, democratically mature, environmentally sustainable, self-reliant with equal opportunities for and active participation by all, having social services, vibrant cultural and religious values and a technologically driven middle-income economy".

This vision and its accompanying national development strategy were developed through a widely consultative and expensive process bankrolled by the UNDP. The gusto that characterised this process suggested to fair-minded people that the resultant vision would become a binding commitment and yardstick by which government performance would be assessed henceforward; that the vision would transcend political change; that progress towards the attainment of the vision would be constantly and objectively monitored through a well-coordinated and robust process; and that all subsequent shorter-term national development planning would always be consistent with the vision and constitute its building blocks. In fairness to optimists, this envisioning process was reminiscent of the functionality of the democratic process itself. The vision received an apparent seal of approval from all who mattered, including opposition political parties whose leader in parliament at the time of the launch, Gwanda Chakuamba, said in a statement about it:

> "I have no doubt that we all agree that these are noble objectives and that Vision 2020, therefore, presents a challenge to the present and all future governments. It is my humble duty to call on all Malawians, regardless of their religious or political affiliations, to work hard to achieve our aspirations by 2020."

As we finalised this note, in August 2019, it could be utterly pitied that Malawi had evolved into a perfect opposite of what it had envisioned to become.

Projecting into the future, the remedy for Malawi's endemic poverty and development stagnation lies in the emergence of a leadership that will be inspired by a sense of honour, duty and country. The missing piece in Malawi's development jigsaw puzzle was a larger-than-life leadership that could preside over the creation of inclusive economic and political institutions, and adamantly promote their functionality as a foundation for durable macroeconomic and social re-organisation; a re-organisation driven and owned by the country's citizens themselves, rather than one moulded by self-aggrandising external influences. It is only through the emergence of such a leadership and institutions that the shackles of neo-colonialism will be broken; that independence will cease to be a sham; and that a worrisome trend towards the prophesised doom of a failed state will be reversed. But, despite all its ostensible merits and the commonly purported absence of a credible alternative, Malawi's version of democracy fell short of guaranteeing the emergence of such a leadership in the foreseeable future. Instead, it was Chief Albert Luthuli's 1961 admonition that loudly reverberated, soaring desperation, trepidation and impatience among the genuinely concerned and, concomitantly, obligating them to take action.

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[i] The two Bandas were not related in any way.

[ii] The term 'corruption' is generally used to include corruption (literally), fraud and other deliberate infractions involving the loss of public funds. Most of what passes for corruption is, in fact, outright fraud.

[iii] Among other cited sources, this chapter makes extensive use of the World Bank's Malawi metadata at https://data.worldbank.org/country/malawi, accessed on 26 August 2019. Similar data were also retrieved for other countries where required.

[iv] Where necessary, this consolidates multiple organizations from the same bilateral donor. For instance, the figure for the United States comprises the CDC, the Millennium Challenge Corporation, the Office of U.S. Foreign Disaster Assistance, and USAID.

[v] Admissions of gross corruption in the judiciary abound; see https://mwnation.com/judiciary-admits-corruption/ and https://mwnation.com/corruption-does-exist-in-the-judiciary/. A very thoughtful paper by Justice Rizine Mzikamanda may be accessed at http://www.southernafricalitigationcentre.org/wp-content/uploads/2017/08/GOAL-16-Book-Mzikamanda.pdf

[vi] In the figures, inflation is the average annualised monthly percentage change in the consumer price index; the policy rate is the rate which signals the central bank's inflationary expectations; the lending rate is the average base interest rate of commercial banks; and the Treasury bill rate is for three-month government Treasury bills.

[vii] See https://www.ceicdata.com/en/indicator/malawi/non-performing-loans-ratio

[viii] The Lombard rate was introduced in January 2014. Before then, commercial bank recourse to the discount window was charged at the bank rate (which was subsequently renamed the policy rate).

[ix] A Gini index of 0 represents perfect equality while that of 100 implies perfect inequality.

[x] For under-five children, the dimensions of child poverty assessed by the MCPI were nutrition, health, sanitation, water and housing. For children in the 5-14 years age group, two of these dimensions (namely nutrition and health) were dropped in preference for food security, protection, education and information. With the exception of food security, the latter set of dimensions was maintained for children in the 15-17 years age group.

[xi] The country's first Integrated Household Survey (HIS), conducted in 2005, revealed that the incidence of ultra-poverty was highest in the district of Machinga (30% of the population), followed by Mulanje (28%) and Nsanje (27%). Excluding the cities of Blantyre and Lilongwe where this incidence was lowest at 2 percent, rural ultra-poverty was quite low in Ntchisi and Kasungu (7%). This picture did not change significantly during the subsequent surveys up to the IHS4, yet, the Malawi Social Cash Transfer Programme continued to target the poorest 10 percent of the population in each district.

[xii] 'Tractorgate' referred to the 2014 sale to public officials of tractors and shellars procured as part of a US$50 million loan facility from the Export-Import Bank of Indian. The equipment was procured to support smallholder farmers, but ended up being sold to the officials for a song. 'Maizegate' was a generally ill-conceived suspicion of the fraudulent procurement of maize by the Agricultural Development and Marketing Corporation (ADMARC) in 2016. Suspects were duly acquitted by the High Court in 2018. Independent enquiries into the transaction revered that it did not really result in the loss of public funds. 'Fuelgate' was the theft of about 3 million litres of fuel at the Electricity Supply Corporation of Malawi (ESCOM) between January and June 2018. The estimated loss was MK1.6 million (US$2.2 million) in that period alone. 'Policegate' described the disputed upward revision of the Malawi Police Service (MPS) food rations contract value in 2016. The alleged revision was from MK2.3 billion (US$3.2 million) to MK2.8 billion (US$3.8 million), of which MK145 million (US$0.2 million) was reportedly deposited into an account managed by the President.

[xiii] The government liability had already reached US$13 million by mid-2018 (see https://www.nyasatimes.com/salima-lilongwe-water-project-back-in-supreme-court-before-panel-of-9-judges)

[xiv] See https://www.transparency.org/country/MWI