

BTI 2012 | Malawi Country Report

Status Index	1-10	5.57	# 67 of 128	
Political Transformation	1-10	6.25	# 55 of 128	➔
Economic Transformation	1-10	4.89	# 84 of 128	➔
Management Index	1-10	5.86	# 36 of 128	

scale: 1 (lowest) to 10 (highest) score rank trend

This report is part of the Bertelsmann Stiftung’s Transformation Index (BTI) 2012. The BTI is a global assessment of transition processes in which the state of democracy and market economy as well as the quality of political management in 128 transformation and developing countries are evaluated.

More on the BTI at <http://www.bti-project.org>

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Key Indicators

Population	mn.	14.9	HDI	0.400	GDP p.c.	\$	872
Pop. growth ¹	% p.a.	3.1	HDI rank of 187	171	Gini Index		39.0
Life expectancy	years	53	UN Education Index	0.410	Poverty ³	%	90.5
Urban population	%	19.8	Gender inequality ²	0.594	Aid per capita	\$	50.6

Sources: The World Bank, World Development Indicators 2011 | UNDP, Human Development Report 2011. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$2 a day.

Executive Summary

Malawi held its fourth general elections in May 2009, in the course of which the Democratic Progressive Party (DPP) gained a dominant political position. The election itself was judged to be free but not fair, with abuse of the power of incumbency a particular problem. President Bingu wa Mutharika won reelection with 66.1% of valid votes cast. The parliamentary results showed that for the first time, regional politics had nearly disappeared, as the DPP won 112 out of the country's 193 seats. The former ruling party, the United Democratic Front (UDF) won just 17 seats, concentrated mainly in the southern districts of Mangochi and Machinga. The Malawi Congress Party (MCP) maintained a presence with just 28 seats, while the Alliance for Democracy (AFORD) was at the verge of extinction, winning just a single seat. With 32 seats in parliament, independent candidates, who are mainly the product of unresolved internal party conflicts, continued to be a prominent feature. A majority of these independents later crossed over to the DPP, giving the governing party an absolute majority. While productivity during the 2004 – 2009 legislative period was threatened by the opposition's dominance, the 2009 – 2014 period faces the challenge of managing democracy with a dominant governing party whose leadership has not demonstrated a strong commitment to deepening democratic tenets despite good performance on the economic front.

The Mutharika administration's positive strides with respect to market-oriented macroeconomic management, as well as improved socioeconomic conditions largely attributable to the implementation of a targeted farm input subsidy, have continued to raise hope and optimism in society. However, the state of democratic governance has regressed, particularly with the emergence of a dominant governing party that has weakened the effectiveness of institutional checks and balances. A number of legislative proposals have been passed with very little scrutiny. Some of the legislation has the potential to undermine democratic governance. The future of local government elections has been thrown into turmoil following the suspension of the electoral management body, the Malawi Electoral Commission (MEC), barely five months

before the local elections' scheduled date. Although the next round of general elections is in 2014, the country has already been plunged into pre-election skirmishing, as it is becoming increasingly clear that Mutharika wants to be succeeded by his brother. This has split the party, since those who oppose the endorsement of Peter Mutharika, the president's brother, have been subjected to various forms of retaliation, ranging from the loss of party positions to outright expulsion from the party. Vice President Joyce Banda has been one such politician targeted, among other notable figures. However, succession struggles have also rocked the other main parties, resulting in an opposition that is weak and fragmented.

Civil society must be doubly vigilant if democratic governance is not to lapse. Frank and constructive dialogue between Malawi's authorities and their development partners will be critical. The gains made on the socioeconomic front and macroeconomic management can be consolidated only under circumstances of favorable climatic conditions, the continued inflow of donor aid inflow and continued strict fiscal management. It is difficult at the moment to have a clear outlook on all the three, as various intervening variables are at play that may pose a threat in coming years.

History and Characteristics of Transformation

On 14 June 1993, Malawians voted for the reintroduction of multiparty democracy in a historic referendum that marked the end of more than 30 years of one-party dictatorship under Dr. Hastings Kamuzu Banda's Malawi Congress Party (MCP). The democratic reforms were, however, preceded by economic transformation. In both transformation processes, external donor conditionality played a crucial role. After decolonization in 1964, the independent government under Hastings Kamuzu Banda followed a pro-Western foreign policy and a market-based development policy. Despite poor socioeconomic conditions (dominance of the agrarian sector, poor infrastructure), per capita GDP grew at an average of 5.5% from 1965 to 1979. At the end of the 1970s, due to the second oil price shock and declining terms of trade, Malawi experienced a deep economic crisis. Since that time, Malawi's economic policy has been based on IMF and World Bank concepts of reform. After uneven development during the 1980s, another economic crisis emerged in 1990, contributing to the political transition to democracy. Banda had established, even by African standards, a very repressive one-party rule under the Malawi Congress Party (MCP). Civil society was unable to emerge, as political opposition was not able to articulate itself in public because of state repression. To be sure, the 1992 Pastoral Letter of the Catholic Bishops added momentum to Malawi's transition, as it was the first significant public criticism of the Banda regime from within the country. However, it was less the activities of an emerging civil society than the pressure of international donors that forced Banda to agree on a referendum in 1993 to change the political system. The general elections

held in 1994 saw Bakili Muluzi of the opposition United Democratic Front (UDF) win the presidency. During the 1993 – 1994 transition, the military remained neutral, disarming the threatening MCP youth militia, the Malawi Young Pioneers (MYP), by force

However, none of the three regionally based parties which gained seats in parliament – the MCP, the UDF, and the Alliance for Democracy (AFORD) – won a parliamentary majority. Opposition boycotts of the assembly and switching of alliances became common. While the first elections were evaluated in very positive terms, the second elections in 1999 were poorly organized, although international observers deemed the elections “free and fair.” Muluzi won a second term by only a small margin against a candidate fielded jointly by the MCP and AFORD alliance. The parliamentary election results corroborated the three-party system, but the president’s party again failed to win an absolute majority. As a result, the UDF had to look to independent ministers to build a parliamentary majority, as the total number of alliance members amounted to a plurality of parliament members. Following the 1999 elections, there was a general sense of discontent and outrage. In the country’s northern region, supporters of AFORD expressed their anger by attacking and burning some mosques, which can be seen as symbolizing the Muslim minority to which Muluzi belongs. Popular unrest also indicated a change that had started before the elections. The reluctance to implement a number of promised democratic reforms; the intimidation of opposition politicians, civil society activists and a critical press; and an increase in corruption among high-ranking elected officials all pointed to deterioration in the country’s quality of transformation. However, the post-electoral violence was soon brought under control, and the new government was formed while the elections case was still in court.

The subsequent years – starting in 2000 – saw many challenges to constitutional governance and democracy, as the government initiated a number of controversial amendments to the constitution which included repealing sections governing the Senate. The parliament refused to grant President Muluzi permission to change the constitution to allow himself a third term. Controversy over Muluzi’s “open” (later called “third term”) bid for the presidency, as well as over the controversial elections held thereafter in May 2004, proved explosive. It left a highly fragmented party system, with nine parties in parliament and a diminished ruling party that came in second behind the former state party, the MCP, which itself was split into two major factions. While there were several contenders for the presidency from within the UDF, Muluzi handpicked Bingu wa Mutharika as his successor. The UDF convention merely rubber-stamped this decision. This caused frustration and dejection within the party rank and file, and many senior party officials left the UDF to join other parties or form their own parties. The period prior to the 2004 elections witnessed the fragmentation of two other major parties, the MCP and AFROD, largely on the basis of the stand they took on the third term issue. As a result, the party system became highly fragmented. The 2004 parliamentary elections brought in nine parties and 40 independents. The presidential votes were divided between five contenders, and Mutharika won with only 35.2% of the votes cast.

The “zero tolerance for corruption” campaign that Mutharika launched brought him into a direct collision course with his own party, the UDF in general and his predecessor Muluzi in particular. In February 2005, Mutharika resigned from the UDF and subsequently formed a new party, the

Democratic Progressive Party (DPP). A significant number of politicians, mainly from what had hitherto been the ruling UDF, joined the president's party. This relegated the UDF to the status of an opposition party without losing an election, while the DPP assumed the status of a ruling party without winning an election. However, Cassim Chilumpha, Mutharika's vice president, refused to cross over to the DPP, remaining a member of the UDF. This meant the two could not work harmoniously together, and for the rest of the legislative period, Chilumpha was a nonfunctioning vice president. He faced various criminal charges including treason, which were deemed to be politically motivated.

The tensions between Mutharika's DPP and the UDF spilled over to the MCP and other opposition parties in parliament, who sought to invoke a constitutional clause (Section 65) banning floor-crossing, or party switching, as the DPP was at that point governing only with the support of former opposition MPs. Mutharika was threatened with impeachment. Despite serious tensions during the 2005 – 2009 period, three factors contributed to the survival of Mutharika's administration: increased public trust in the administration following a significant improvement in socioeconomic conditions, especially in the area of food security; continued donor support following good macroeconomic management; and the judiciary, which despite ruling that Section 65 was constitutionality valid, maintained an injunction restraining the speaker of parliament from implementing it.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 10 (best) to 1 (worst).

Transformation Status

I. Political Transformation

1 | Stateness

Question
Score

There are no major issues regarding stateness in Malawi. The monopoly on the use of force is for the most part institutionalized and rarely challenged, despite sporadic violent outbreaks resulting from criminality and overuse of violence by police officers.

Monopoly on the
use of force
9

The overwhelming majority of the population accepts the nation-state as legitimate. All individuals and groups enjoy the right to acquire citizenship without discrimination.

State identity
9

The state is largely defined as a secular order although religious institutions, particularly the Christian churches, remain influential as interest groups in influencing politics and policy. This has partly to do with the role the church played in the political transformation and also reflects the nature of society, which is predominantly religious. In selecting their presidential candidates or running mates, for instance, all political parties take into account the religious affiliations of their candidates in addition to their regions of origin.

No interference of
religious dogmas
9

The state's basic infrastructure extends across the entire country. However, its effectiveness is to some extent deficient. This is due partly to the absence of effective local governance structures. Local government elections have not been held since 2005; as a result, local councils have been operating without elected officials. The public bureaucracy is also affected by "political" interventions, as well as a neo-patrimonial organization and a lack of adequate personnel. However, public order and security are generally assured, as the state has beefed up its police service both in terms of personnel and resources with the introduction of rapid response services. President Mutharika's neo-patrimonial tendencies are quite visible in that most of the senior positions both in government and other public bodies have been filled by individuals from his Lomwe tribe.

Basic
administration
6

2 | Political Participation

Since 1994, general elections have been held regularly and they are accepted in principle as the means of filling leadership positions. The fourth general elections since the transition were held in May 2009. The elections are open, but there are doubts about their fairness. The past three general elections (1999, 2004 and 2009) have been contested by the losing parties. Problems have occurred associated with the lack of a level playing field, particularly with the use of public resources and of the public media by the governing party. The Malawi Electoral Commission's (MEC) Media Monitoring Group indicated that between 17 January and 24 April 2009, 97.62% of all Malawi Broadcasting Corporation's (MBC) electoral coverage was dedicated to the governing Democratic Progressive Party (DPP). During the same period, electoral coverage by the public Television Malawi (TVM) stood at 98.4% in favor of the DPP. The independence of the MEC itself has continued to be questioned. It is appointed by the president, to whom it is also mandated by law to report. In November 2010, the president unilaterally suspended the entire MEC and its secretariat on the grounds that it was not able to account for over a billion kwacha (the country's currency). The suspension came at a time when the electoral management body was busy preparing for local government elections scheduled for April 2010. Although the Malawi Law Society contested this suspension, and even obtained a court injunction restraining the executive from implementing it, the court order was not followed, throwing preparations for local elections into disarray. Also in 2010, the Local Government Elections Act was amended, giving the president the power to set local election dates, thereby increasing the public's perception of the executive's interference in the electoral process.

The last three elections have been criticized by local and international observers on the basis of mismanagement and organizational flaws, particularly with regard to voter registration. Despite a complete revision of the voter register in 2008, serious anomalies in the register persisted during the 2009 elections.

Democratically elected political representatives have the effective power to govern. They are obstructed largely by an inefficient and neo-patrimonial administration, and by party politics which have affected the operations of both the presidency and the legislature. In the 2009 general elections, the governing DPP emerged as a dominant party, winning over two-thirds of the parliamentary seats. Furthermore, President Mutharika won the presidency with 66.1% of the valid votes cast, giving him an unprecedented mandate and political legitimacy to govern without undue obstruction from opposition parties, which had previously used their numerical advantage in parliament to frustrate government programs and public appointments, partly as a way of expressing their frustrations with the president having left the party that sponsored him in the 2004 elections to form his own party.

Free and fair
elections

6

Effective power to
govern

8

Malawi continues to rely on donors. This has at times limited the extent to which elected presidents could choose to deviate significantly from donor expectations.

Association and assembly rights are unrestricted for individuals and independent political or civic groups within the basic democratic order. Civil society organizations and political parties are required to register with the registrar general in the Ministry of Justice. In some instances, however, registration of political parties has faced undue delay, raising suspicions of attempts by the administration to unnecessarily limit political rights. For instance, the registration of a northern-based party, the People's Democratic Movement (PDM) was twice rejected in 2010, first because the Registrar of Political Parties thought the language used in its manifesto "sought to directly or indirectly further ethnic discrimination, thus making one of the PDM's objectives unlawful," and second because the registrar also doubted the authenticity of the 100 signatures that accompanied PDM's registration application. The High Court, however, quashed the reasons provided as undemocratic, and ordered the registrar to register the PDM within 14 days, failing which the party would be deemed to have been registered automatically. The latter is what eventually happened, and the court eventually had to "register" the political party.

Apart from some church-based organizations, civil society organizations (interest groups) tend to be weak, with little connection to the grassroots. The government has also managed to co-opt some critical civil society activists into the public sphere by offering them positions in public commissions, essentially silencing them in the process. The former director of the Council for Non-Governmental Organizations (CONGOMA) was appointed chairperson of the Malawi Communications Regulatory Authority (MACRA) and later became chief executive of the Blantyre City Council after announcing his retirement from CONGOMA. The executive director of the Malawi Economic Justice Network (MEJN) was appointed postmaster general. Similarly, some critical civil society representatives now serve on the Presidential Advisory Body on Development.

In practice, the government has also shown some willingness to limit the freedom of association, as with its arrest of two northern politicians for allegedly founding an unlawful society, the Northern Region Fora (both have since been acquitted by the courts).

In February 2011, the government restricted peaceful protests against fuel shortages in the country, which seemed to be another sign of a growing unwillingness to accept criticism.

The freedoms of opinion and the press are generally assured. The dominance of the state-controlled government media, the Malawi Broadcasting Corporation, which tends to be biased toward the government and the ruling party, has been countered

Association /
assembly rights

6

Freedom of
expression

6

by the emergence of private radio stations. Some of these, such as the Zodiak Broadcasting Station (ZBS), have extensive coverage throughout the country, and have a public reputation for independence and balanced news coverage. A variety of independent newspapers is also available, but these are largely limited to urban areas; moreover, their readership is quite low mainly due to the high levels of illiteracy. This freedom is, however, constrained by state interventions and the influence of statutes that in effect contradict the constitutional provisions guaranteeing freedom of the press and opinion. In September 2010, for instance, President Mutharika threatened to close down newspapers and arrest any journalists “who report negatively” on his administration. Section 46 of the Penal Code has also been amended, giving powers to ministers to prohibit the publication or import of any publication “if the minister has reasonable grounds to believe that the publication or importation of any publication would be contrary to the public interest.” The Access to Information Act has yet to be passed. Furthermore, laws on defamation have at times been applied to limit the freedom of expression.

The government has in some instances reacted strongly to criticism, particularly stemming from the northern region. Two northern politicians, including one former senior DPP official, have been arrested and charged with sedition and managing an unlawful society, and the general secretary of the outspoken Livingstonia Synod of the Church of Central Africa, Presbyterian (CCAP) has been charged with treason for criticizing the president during the funeral of a former minister.

3 | Rule of Law

The separation of powers between the executive branch and the legislative branch is constitutionally in place; however the executive branch is far more powerful, and parliament can meet only with the consent of the president. Largely due to the numerical advantage of the governing party, parliament has become weak, and is largely perceived as an appendage of the executive. All parliamentary committees are chaired by legislators from the governing party. Bills pass without serious scrutiny and the opposition is weak. Even the budget was passed in just a few hours. The governing party also changed the rules of how to select the leader of the opposition, opening the vote to all members of parliament. This change, which weakened the opposition even further, was later nullified by the courts.

Although the parliament is dominated by the governing party, there has been less direct interference in parliamentary affairs by the president since 2009 than was the case in the previous legislative period. Indeed, parliamentary committees meet much more regularly now than was the case before. In addition, the parliamentary calendar is more predictable.

Separation of
powers

5

The judiciary is largely independent, though its decisions are occasionally ignored by the executive. For instance, the injunction obtained by the Malawi Law Society restraining the government from closing the MEC offices was not respected by the executive.

Independent
judiciary
6

Malawi's rural population only has limited access to the courts, and relies mostly on primary justice and traditional justice systems. The government recently introduced a Local Courts Bill in parliament which would enable these bodies to prosecute some criminal cases, a move that has been criticized by the opposition and human rights groups.

President Mutharika's administration has continued with its anti-corruption policy. Officeholders who break the law and engage in corruption are generally prosecuted under established laws and often attract adverse publicity. In the past two years, the most prominent case was that of Bakili Muluzi, the former president. However, some figures avoid prosecution due to political, legal or procedural loopholes. A number of cases involving politicians within the governing party remain unresolved, and their manner of handling unclear. Some have alleged that corruption charges were used as weapons against politicians deemed to harbor presidential aspirations, such as former Minister of Finance Goodal Gondwe and Speaker of Parliament Henry Chimunthu Banda. These charges were retracted as soon as the politicians declared their loyalty to the party and endorsed Peter Mutharika, the president's brother and the party's preferred presidential candidate. In the same way, Patricia Kaliati, former minister of gender, was fired allegedly so that the Anti-Corruption Bureau could finalize its investigations and prosecute her on a number of corruption-related cases, some of which have been in the public eye for a number of years. However, the investigations were evidently discontinued once Kaliati continued to demonstrate unquestionable loyalty to the DPP.

Prosecution of
office abuse
6

Basic civil rights are generally assured. Mechanisms and institutions to prosecute, punish and redress violations of civil rights are in place. However, judicial deficiencies and limited public awareness of the contents of their civil rights, particularly in rural areas, limit the practical effectiveness of such guarantees. The Office of the Ombudsman is meant to complement the courts, but this institution lacks the capacities and resources to respond to the overwhelming demand for its services. For most of the 2009 – 2010 period, there was no ombudsman in place, rendering the office effectively nonoperational. The Malawi Human Rights Commission faces numerous obstacles, such as lack of enforcement powers and limited resources. It is also largely inaccessible to the rural population. A few civil society organizations play an important role in raising public awareness of civil rights, but these remain weak and lack resources. Some, such as the Civil Liberties Committee (CILIC), the Public Affairs Committee (PAC), and the Malawi Center for Advice, Research and Education on Rights (CARER), which have played a pivotal role in advancing and protecting civil liberties, are at the verge of collapse.

Civil rights
6

Homosexuality continues to be illegal in Malawi; in May 2010 a gay couple was sentenced to 14 years in prison with hard labor after a traditional engagement ceremony, but the pair was later pardoned by the president.

4 | Stability of Democratic Institutions

Nearly all influential political actors today accept democratic institutions and regard them as legitimate. However, the performance of these institutions is hampered by frictions between and among them. Parliament, for instance, is currently dominated by the governing DPP, which holds a nearly two-thirds majority. As the government was in a minority during the previous term (2004 – 2009), and thus largely stymied by the opposition, the governing DPP has now sought to use its majority to settle scores. All parliamentary committees are headed by the DPP. For some time, the office of the leader of the opposition was contested, until the matter was settled in court and the position reverted to the leader of the main opposition party in parliament. All these developments have compromised the capacity of parliament to exercise its oversight role over the executive, as most bills pass with very little scrutiny. The relationship between President Mutharika and Vice President Joyce Banda has also been strained, as the president supports his own brother, Peter Mutharika, to succeed him in 2014. The vice president has been expelled from the party and her office has largely been paralyzed. The succession issue has also strained relationships within DPP and the government, as politicians supporting Banda have faced strong opposition. The already overstretched judiciary has been inundated by a number of political disputes, as political actors have resorted to the courts. The performance of local government is hampered by the fact that no local government elections have been conducted since 2005.

Performance of
democratic
institutions

6

In principle, all relevant political actors accept democracy. There are no anti-democratic veto powers. In practice, however, some of the state's individual democratic institutions are only partially accepted by some political players. For instance, on 3 December 2010, the president suspended the entire Malawi Electoral Commission (MEC) on the grounds that it could not account for \$9.2 million. The decision to suspend MEC was challenged by the Malawi Law Society, which obtained a High Court injunction against the action; however, this injunction was ignored by the executive. Some judges who have made rulings opposing the government have had their integrity called into question, and have at times been branded as "mercenaries." Local government elections, though long overdue, continue to be postponed. Their last scheduled date was 19 April 2011. However, with the suspension of the MEC, it is now unclear as to when they will be held, if at all. This continuous failure to arrange local council elections is contributing to a "democratic deficit." The executive's commitment to supporting the freedom of the media has also been called into question with the passage of legislation empowering

Commitment to
democratic
institutions

6

to the government ban any publication considered to be contravening the national interest. The negative reaction by the state to the October 2010 Catholic Bishops' Pastoral Letter, which among other things pointed out a number of governance-related challenges facing the country, has been seen as a lack of tolerance and responsiveness to critical voices on the part of the government.

5 | Political and Social Integration

Malawi's party system is fragmented and unstable, with shallow roots in society. The major factor behind this fragmentation is the strong personalization of party politics, individuals' greed for political office, and the promise of private wealth that accompanies a political career. The fragmentation has affected the ruling party as well as the opposition parties.

Party system
4

Most recently, the governing DPP was thrown into turmoil when President Bingu Mutharika declared that his brother Peter Mutharika was eligible to stand for any political office in Malawi. This was understood by many as a de facto endorsement by the president, preparing the way for his brother to succeed him in 2014. Since that time there has been an open campaign by some party adherents advocating Peter Mutharika as the current president's successor. The public media has played a critical role in support of this campaign. Within the DPP, a number of prominent figures who evidently oppose this campaign have faced various forms of disciplinary measures, ranging from removal from party positions to outright expulsion from the party. Almost all the major opposition parties face similar problems of succession struggles. In the Malawi Congress Party (MCP), John Tembo's leadership is still contested by a faction that would like to have him removed. With former President Muluzi's retirement from active politics, the UDF has also been engulfed in leadership wrangles, and the party divided. Overall, there are 38 registered political parties in Malawi, though only six are represented in parliament. Of these six, three have a single seat in parliament apiece each. The level of polarization within the party system is low. All parties could form a coalition; almost all have in some way or another formed a coalition or collaborated with another party, at least temporarily. Few of the parties have any clearly identifiable ideological orientation. Electoral violence has decreased since 2004, and in 2009, unlike in previous polls, the electoral outcome was not strongly contested by the losing parties. Parties are poorly institutionalized; even DPP, the governing party, lacks offices in many areas of the country. In terms of funding, parties rely strongly on wealthy party leaders or public resources.

While voting behavior in Malawi has long followed regional lines, this pattern was less pronounced in 2009. The DPP received support all over the country, while the UDF, the MCP and AFORD saw substantial declines in support in their traditional strongholds.

The number of civic associations, including interest groups, is very small. Trade unions are weak. Among interest groups, the Christian churches and associated organizations are predominant. These organizations play an important watchdog role, and despite their limited capacities, organizations such as the Catholic Commission for Justice and Peace (CCJP), the Consumer Association of Malawi (CAMA) and the Human Rights Consultative Committee (HRCC) are becoming increasingly influential. Interest groups championing women's participation in public affairs, an issue that has received government attention in the recent past, have also begun to grow in prominence. However, some previously influential civic associations are on the verge of extinction, largely due to the dwindling of resources in support of civil society. These include PAC, Malawi CARER and CILIC. The transformation of the National Initiative for Civic Education (NICE) into a public trust under the supervision of the Ministry of Information has raised some concern as to the future of local civic associations, which for a long time enjoyed the support of NICE.

Interest groups
4

Approval of democracy and democratic norms among the population is fairly high. The Afrobarometer survey of 2008 established that 74% of the population prefers democracy to any other form of government, while having a plurality of political parties is favored by as much as 68% of the population. A strong majority of 78% of the population considers elections to be the best system to select leaders. Furthermore, 68% of people indicate that they have confidence in democracy as the system which can best deal with the challenges facing the country. The president is by far the most trusted, with 64% of the population trusting him a lot, as compared to just 19% who say the same for opposition parties. Members of parliament receive only marginally more trust (32%). Traditional leaders, however, are trusted by 55% of the population. Political protests do not tend to call the constitutional framework into question.

Approval of
democracy
7

The topography of civic organizations is very shallow, even compared to other African countries. Civic associations are concentrated in the few urban centers, where they serve a crucial monitoring function, though their activities depend to a large degree on foreign funding. Due to organizational weakness, social self-help organizations are unable to create strong social capital. In comparison to other African countries included in Afrobarometer, levels of interpersonal trust in Malawi do not seem particularly low. However, Malawians tend to trust their fellow citizens, with 33% affirming they trust them a lot and an additional 22% trusting them somewhat, according to the Afrobarometer 2008 survey.

Social capital
4

II. Economic Transformation

6 | Level of Socioeconomic Development

Poverty and inequality in Malawi remain pronounced, but the Mutharika administration has been making efforts that have helped mitigate poverty somewhat. According to the 2010 Human Development Report (HDR), Malawi's Human Development Index score improved from 0.336 in 2005 to 0.376 in 2009. In 2010, Malawi's HDI was 0.385. Malawi's ranking on the HDI also moved up from 164th worldwide in 2005 to 153rd in 2010. The 2004 – 2005 integrated household survey estimated the country's poverty rate at 52.4%. Measured in purchasing power parity terms, the 2010 HDR shows that 73.9% of Malawi's population lives below the poverty line of \$1.25 per day. While the country is making progress in reducing poverty levels, reducing income inequality remains a challenge. With a 2004 Gini coefficient of 39.0, Malawi remains a country where income inequality is high.

Largely due to the availability of life-prolonging HIV/AIDS drugs (antiretrovirals, or ARVs) coupled with the general improvement in the poverty situation, life expectancy at birth in Malawi has improved from 48 years in 2007 to 53 years in 2010. The literacy rate is 72% (80.2% for men and 65.8% for women). The infant mortality rate has been significantly reduced from 79 per 1000 live births in 2006 to 69 in 2008. There has also been an improvement in maternal deaths, from 984 per 100,000 live births in 2004 to 807 in 2006. Malawi is still predominantly rural, with 80% of its population living in rural areas where most residents depend on rain-fed subsistence farming for their livelihoods. In the past five years, however, the administration has intensified irrigation farming.

Question
Score

Socioeconomic
barriers
2

Economic indicators		2007	2008	2009	2010
GDP	\$ mn.	3458.3	4074.1	4727.5	5106.3
GDP growth	%	5.8	8.6	7.6	7.1
Inflation (CPI)	%	8.0	8.7	8.4	7.4
Unemployment	%	-	-	-	-

Economic indicators		2007	2008	2009	2010
Foreign direct investment	% of GDP	2.7	4.2	1.3	2.7
Export growth	%	-	-	-	-
Import growth	%	-	-	-	-
Current account balance	\$ mn.	-704.4	-807.8	-562.6	-
Public debt	% of GDP	34.7	46.2	48.6	42.9
External debt	\$ mn.	790.4	893.7	1033.3	921.6
Total debt service	\$ mn.	33.1	31.9	35.7	18.7
Cash surplus or deficit	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	14.1	17.3	20.9	19.1
Public expnd. on edu.	% of GDP	-	-	-	-
Public expnd. on health	% of GDP	6.9	6.5	6.2	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	1.2	-	-	-

Sources: The World Bank, World Development Indicators 2011 | International Monetary Fund (IMF), World Economic Outlook 2011 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2011.

7 | Organization of the Market and Competition

Market competition is limited and operates under a weak institutional framework. The size of the informal sector is significant, though difficult to quantify. Government intervention is relatively high, as suggested by the fact that government spending accounts for some 40% of total GDP and the public sector is the largest employer. Although relevant public institutions are in place, they still suffer from widespread corruption and deficiencies in the rule of law, while the slow and to some extent costly business registration process poses a barrier to entry. Malawi was ranked 133rd of 183 countries in the World Bank's 2011 Doing Business Report. There is considerable state intervention in sectors the government regards as strategically important. For instance, the energy and water sectors are dominated by government-owned parastatals, in the form of the Electricity Supply Commission (ESCOM) and various water boards. In agriculture, the Agriculture Development and Marketing Corporation remains a dominant player. For the past few years, government has also resorted to setting minimum selling prices for agricultural products, although the level of compliance has been low. Although the

Market-based
competition

4

Press Trust, the nationalized conglomerate of former President Kamuzu Banda, has been selling off its shares in a number of companies, this public trust's revenues continue to account for 10% of GDP, and it operates a number of joint ventures with foreign investors. Transformation of the informal sector and diversification of the agriculturally based economy remain necessary tasks in Malawi's economic transformation

Competition laws to prevent monopolistic structures and conduct exist, but are enforced inconsistently. The Competition Policy for Malawi was approved in 1997, and the Competition and Fair Trading Act (CFTA) came into force in 1998 with the aim of lowering barriers to entry, reducing restrictive business practices and protecting the consumer. The law forbids business practices aimed at taking unfair advantage of consumers, market structures that permit abuse by a dominant enterprise, and anticompetitive business behavior (price fixing, collusive tendering or customer allocation, and tied sales) aimed at eliminating or reducing competition. It also discourages government legislation that affects market freedom. The Malawi Competition and Fair Trade Commission is tasked with implementing this competition law, and has been operational since 2005. The government has also created the Office of the Director of Public Procurement (ODPP) within the framework of the Public Procurement Act, which strives to create transparency and competitiveness in the procurement of goods and services in the public sector. These efforts notwithstanding, the process of competition administration in the country is still weak. This is partly due to the competition agency's lack of capacity to enforce the competition law. In addition, there is also inadequate public awareness as to the existence of the competition law, and little familiarity with the mandate and operations of the competition commission. State intervention can still be observed particularly in the agricultural sector, where the state-owned Agricultural Development and Marketing Corporation remains a dominant player. In the last few years, the government has established price floors and ceilings for the purchase and sale of strategic agricultural products such as maize, cotton and tobacco. Targeted agricultural input subsidies continue to be implemented.

Anti-monopoly
policy
6

The Malawian economy undertook liberalization in the wake of the structural adjustment programs of the 1980s. Another milestone was the liberalization of the exchange rate in May 1999. The high degree of liberalization has been maintained. Import and export licensing is considered to be fairly liberal, with restrictions largely based on health, safety and national security grounds. According to the 2010 Trade Policy Review Report submitted to the WTO, the government has continued to undertake a number of initiatives, such as the promulgation of a trade remedies bill, to ensure a coherent legal and regulatory framework. According to Section 85 and 86 and the Fourth Schedule of the Customs and Excise Act, Malawi may apply anti-dumping measures; however, the provisions as they stand are insufficient in substance and detail to comply with WTO requirements. In this regard, Malawi

Liberalization of
foreign trade
7

sought further assistance from the Commonwealth Secretariat in 2008 to develop a user-friendly trade remedies bill based on previous drafts. The new bill brings the application of remedies such as safeguard measures, anti-dumping measures and countervailing duties under one law. As of the time of writing, this bill had not yet been approved. The government is also undertaking an exercise to review its trade related laws, especially laws pertaining to trade in services, to make them compatible with WTO agreements. The impact of most of these reforms has yet to be felt within the Malawian economy.

In the past few years, there have been significant developments in Malawi's banking sector. At the end of 2008, there were 11 commercial banks. One bank was closed in 2005. Four of the banks are listed on the Malawi Stock Exchange. Overall, the financial performance of the commercial banks has been satisfactory with all banks adequately capitalized and liquid. The commercial banking sector remains dominated by the two largest banks (the National Bank of Malawi and Standard Bank of Malawi), whose assets represent about 62.0% and deposits about 56.0% of the sector's total. Over the years, direct government control and ownership in the financial system has been significantly reduced through privatization and public offers. Today the government still has 100% ownership in one bank, the Malawi Savings Bank. One factor contributing to the increase in the number of banking institutions was the revision of the Banking Act of 1989. This act gives the Reserve Bank of Malawi (RBM) the responsibility of supervising banks and financial institutions in what the RBM calls "a robust and offsite and onsite supervisory process." It is overseen in turn by the Ministry of Finance, and tasked with ensuring a safe, sound and stable financial system in Malawi. The banking sector has responded to technological advancement with the introduction of Internet banking and internationally recognized VISA debit cards. One bank (the New Building Society) has started issuing credit cards. Foreign investment in the banking sector is encouraged under the strict supervision of the Reserve Bank of Malawi, which itself has been undergoing reforms to ensure its independence and give it the requisite capacity to undertake its regulatory and supervisory role. Despite these improvements, a large part of the rural population has difficulty accessing financial services.

Banking system
6

8 | Currency and Price Stability

Controlling inflation and instituting an appropriate foreign exchange policy is a recognized goal of government policy. In the last two years, owing largely to macroeconomic stability and strict fiscal discipline, single-digit inflation rates have been maintained. In 2009, inflation averaged 8.4%, down from 8.7% in 2008. The Malawi kwacha has remained stable at MWK 150.8 to the U.S. dollar since February 2010. However, this reflects the reinstatement of an implicit currency peg

Anti-inflation /
forex policy
7

rather than market fundamentals, as confirmed by the reemergence of foreign-exchange shortages since September 2010. The Malawi kwacha is looking increasingly overvalued as authorities focus on stabilizing the nominal exchange rate against the dollar, given its role in affecting prices and economic activity in Malawi. This policy may not be sustainable given Malawi's low foreign exchange reserves and high import demand

The government's fiscal and debt policies generally promote macroeconomic stability. Malawi has in recent years taken significant steps to reduce macroeconomic imbalances, broaden market-oriented reforms and improve outcomes in the social sectors. Total reserves have jumped from \$866 million in 2007 to \$971 million in 2009. There have been efforts to contain both public and external debt, and debt service has moved from 1.0% of GDP in 2007 to 0.8% in 2008. The IMF considers Malawi's fiscal and debt policies satisfactory, noting that "Malawi's seven-year [2002 – 2009] period of uninterrupted growth – even amid a global recession – reflects the benefits of generally sound macroeconomic policies and of debt relief from the Heavily Indebted Poor Countries (HIPC) initiative."

Macrostability

8

9 | Private Property

Malawi's constitution prevents individuals from being deprived of their property without due compensation, and the country has laws governing the acquisition, disposition, recording and protection of property, which in sum offer adequate protection. The government has signed and adheres to key agreements on intellectual property rights.

Property rights

6

However, there are occasional problems with the implementation and enforcement of property rights, arising largely from weak institutional capacities and corruption. In addition, some restrictions on land ownership by foreigners exist.

The authorities recognize the private sector as the backbone of the economy, and the policy and legal framework enabling a functional private sector is in place. There has been ongoing privatization of formerly state-owned companies, although the pace has been slow.

Private enterprise

6

Privatization of the Agricultural Development and Marketing Corporation (ADMARC) remains suspended, as this company is seen to be central to the administration's goal of ensuring food security. In addition, the process of privatizing Air Malawi, the wholly state-owned airline, has been protracted, and the government's position on this is not presently clear. Despite the slow pace and controversies noted, there is no indication that the gradual increase in the role of the private sector is likely to be reversed.

10 | Welfare Regime

Malawi has no social safety net able to compensate effectively for poverty or any other social risks. Only the tiny percentage of the population employed in the formal economic sector enjoys the benefits of a rudimentary social safety net set up by the state, which guards against risks associated with old age, illness, disability and unemployment. In the last five years, the government has started subsidizing agricultural inputs such as fertilizer and seeds, but this is targeted to the very poor, and the level of support is inadequate. There are no mandatory public medical insurance programs. A bill that would create a mandatory pension scheme is under consideration by parliament. The state provides free or highly subsidized medical and health services, although as of 2007, total public expenditure represented just 5.9% of GDP. That year's expenditure of the equivalent of \$20 per capita on essential health services was still far below the \$34 recommended by the World Health Organization. With funding from development partners, the government has been implementing a social cash transfer scheme targeting the ultra-poor in a selected few districts. A ministry focusing on issues having to do with the elderly and people with disabilities does exist but like other ministries, its limited resources make it difficult to cope with situation on the ground. Families and communities continue to be primary providers of social security, but the HIV/AIDS pandemic, which has taken its toll on the productive age group, has weakened the capacity of this kind of social capital. Although fighting poverty remains an overarching goal of the current administration, the country cannot fight poverty on its own, and is dependent on international aid

Social safety nets
3

Equality of opportunity is very limited in Malawi. Although the Malawian constitution contains provisions related to equal opportunity and non-discrimination, little has been done in terms of specific policies or laws. The introduction of the district-based quota system of public university admission has sparked controversy, as it too is seen in some quarters as being "discriminatory." Literacy rates still vary greatly between men and women (80.2% for male and 65.5% for female, according to the 2010 World Bank statistics). According to the 2010 Malawi government report on the Millennium Development Goals (MGDs), the ratio of girls to boys in primary school increased from 0.91 in 2000 to 0.99 in 2008. During the same period, the ratio of girls to boys in secondary schools increased from 0.60 in 2000 to 0.77 in 2008. The share of women in wage-based employment in the nonagricultural sector remains very low. It has risen from 13% in 2000 to 15% in 2006. In 2009, UNDP reported no increase in women's employment rate. Similarly, the participation of women in politics, as measured by the number of elected women parliamentarians, has also seen a very gradual positive change. In 1994, only 5.6% of parliamentarians were women. The rate increased to 9.3% in the 1999 general elections. In the 2004 elections, this rate

Equal opportunity
5

moved further up to 14%. Probably owing to the “50:50 campaign,” which advocated for women’s participation in the May 2009 election, the share of women in parliament has increased to 22.28%.

11 | Economic Performance

Malawi’s recent economic record has been positive. The recent improvement in economic performance can be attributed to the continuation of IMF credit, aid inflow from development partners under a budgetary support arrangement, debt relief, increased government investment, and increased agricultural productivity, mainly due to the introduction of input subsidies and favorable weather conditions. During the period under review, GDP growth rose from 8.6% in 2007 to 9.7% in 2008, falling slightly in 2009 to 7.7%. GDP per capita, on a purchasing power parity (PPP) basis, improved from \$740 in 2007 to \$807 in 2008. In 2009, this figure rose to \$859, partly owing to that year’s commencement of uranium mining in the northern part of the country. The inflation rate has remained in the single digits. By the end of 2009, inflation showed an annual rate of 8.4%, down from 8.7% in 2008. GDP rose from \$4.27 billion in 2008 to \$4.97 billion in 2009. The ratio of public debt to GDP also decreased slightly during the period under review, falling from 18.83% in 2008 to 16.85% in 2009.

On the negative side, Malawi still remains vulnerable to external shocks, and particularly fluctuations in oil prices and changes in weather patterns. For the past 12 months, the supply of fuel on the local market has been inconsistent, resulting in persistent fuel shortages across the country. The current administration has intensified irrigation-based farming, but results will take a while to be noticed.

According to the 2009 Welfare Monitoring Service, only 8% of employed persons aged 15 and above received a salary (30% in urban areas), while 78% are subsistence farmers.

12 | Sustainability

Environmental concerns receive only sporadic consideration, and are often subordinated to growth efforts. Environmental regulation is weak and hardly enforced. None of the major cities, for instance, have a well-developed sewage system. Only 12.4% of the population has access to electricity, according to the 2010 HDR. The majority of Malawi’s population thus depends on fuel wood, a fact that has resulted in acute deforestation. As of 2010, Malawi ranked 107 on the Environmental Performance Index (out of 163 countries) with a score of 51.4.

Output strength

6

Environmental
policy

3

Ecological awareness is quite low, despite densely populated areas in which the sustainability of the agricultural environment is endangered. The few ecological development projects that do exist are operated and financed by foreign development organizations

Primary education in public schools is free, while secondary and tertiary education is subsidized. In the 2007 – 2008 fiscal year, public expenditure on education accounted for 19.4% of total recurrent government expenditure. According to the 2010 HDR, Malawi's public expenditure on education averaged 4.2% of GDP during the 2000 – 2007 period. Access to tertiary education, especially universities, is limited; though the country's population is 13.5 million, Malawi has only two public universities, each with an average incoming class size of about 2000 students per year. In 2010, the government announced a plan to build five new universities within the next decade. According to UNDP figures, the ratio of women to men in tertiary education is just 50.6%; the situation is somewhat better at the secondary school level, where the 2008 ratio was 84.8%. Private schools have proliferated at all levels. However, the quality of education offered at many of these schools, particularly in primary and secondary schools, is substandard. In October 2010, for instance, the Ministry of Education, Science and Technology closed 38 schools, a majority of them due to their inability to meet minimum standards.

Education policy /
R&D
3

Transformation Management

I. Level of Difficulty

There are a number of structural constraints to effective governance. Malawi's location and geography both pose challenges to growth and development. Measuring 48,000 square miles, it is a relatively small, densely populated and landlocked country with limited mineral resources. Additional constraints include a very low level of socioeconomic development, a low educational level, a high degree of social inequality, a state administration that is prone to political interference due to its neo-patrimonial structure, weak market economy structures, underdeveloped infrastructure, dependence on rain-fed agriculture (which is highly susceptible to drought) and a high HIV and AIDS infection rate.

Structural
constraints
8

Traditions of civil society are fairly weak. This can be partly explained by a combination of structural constraints such as low levels of literacy, high levels of poverty, little access to electricity and information particularly among the rural population, an uninterrupted history of authoritarianism, and a ruthless dictatorship that until 1994 inhibited the development of civil society traditions.

Civil society
traditions
7

Ethnic, religious and social cleavages are present, and tensions linked to political issues occasionally arise, particularly during election periods, but these are not irreconcilable. In the period under review, the souring of the relationship between President Mutharika and his vice president has been a source of anxiety particularly within the DPP. Regional politics are still visible, although the 2009 elections resulted in the DPP emerging as a "national party." However, the regional politics divisions in Malawi do not translate into regional conflicts. All key political actors recognize the societal cleavages that prevail, and take necessary measures to appeal across the board.

Conflict intensity
5

II. Management Performance

14 | Steering Capability

Question
Score

The government sets strategic priorities and maintains them over extended periods of time. In 2006, a five year (2006 – 2011) Malawi Growth and Development Strategy (MGDS) was launched, replacing the Malawi Economic Growth Strategy (MEGS). The MGDS identifies six key priorities areas: agriculture and food security; irrigation and water development; transport infrastructure development; energy generation and supply; integrated rural development; and prevention and management of nutrition disasters, HIV and AIDS. These areas are meant to accelerate the attainment of Millennium Development Goals (MGDs). Development partners had to align their country strategies along these priority areas. In 2010, preparations for a successor to the MGDS were begun. While authorities' commitment to a socially responsible market economy appears secure, there are indications that some basic democratic tenets have been compromised during the past few years. For instance, local government elections, which would enhance citizen participation, have not been held since 2005. With an absolute majority in the National Assembly, the executive has not been responsive to alternative voices on some critical issues such as the change of the national flag.

Prioritization
7

The fact that the influence of foreign aid is still very strong in Malawi's economy makes it hard for the authorities to pursue their own policy goals with a great deal of consistency. However, in the last few years, it has been observed that the Mutharika administration has been able to defy the dictates of some of the donors in pursuing his government's policy. This has been particularly evident in the case of the fertilizer subsidies program, which the government introduced despite resistance from some donors. The program has now received donor support, although only under the condition that the Malawi government also explores alternate strategies.

The government is able to implement its policies, although with some difficulties at times. The government has continued to make progress in terms of macroeconomic reform, which has led to improvement on many socioeconomic indicators. Fighting corruption remains on the Mutharika administration's agenda. However, this campaign has been marred by perceptions that it has primarily targeted those who are in the opposition. A nationwide constitutional review process was opened in 2006, aimed at addressing many of the loopholes in the constitution, and at responding to popular opinion on controversial issues such as the elimination of the Senate, the ability to cross the floor and term limits for presidents, among others. However, the future of this process remains unclear, as the cabinet has not

Implementation
6

submitted to parliament the Special Law Commission's Report on the Review of the Constitution. Furthermore, despite its proclaimed commitment to pursue decentralization as a government policy, the government has failed to hold local government elections since 2005. The administration's success in implementing its policies is also partly dependent on the support the government receives from development partners, given that Malawi remains dependent on aid. In the period under review, the inflow of aid was fairly consistent, and donors have provided support to the targeted agricultural input subsidy program despite offering resistance in its early stages. This has enabled the Mutharika administration to continue with this program, which has in turn contributed to positive socioeconomic developments.

The government demonstrates a general policy-learning ability. The MGDS (2006 – 2011) builds on lessons learned from the previous policies, namely the Malawi Poverty Reduction Strategy Program (MPRSP) and the Malawi Economic Growth Strategy. As the MGDS comes to an end, the authorities have embarked on a review process which has included nationwide consultations in preparations for a successor MGDS. A number of studies have been commissioned to review government policies and their implementation. What is sometimes lacking is the capacity and political will to implement the lessons learned. In 2010, for example, the press cited persistent problems in the implementation of the fertilizer subsidy program, and asked why the government had still not managed to tackle these issues after several years of experience with program implementation.

Policy learning

6

15 | Resource Efficiency

There have been some remarkable improvements since mid-2004 in the use of public resources. In 2004 –2005, the government developed its budget based on a framework agreed upon through the IMF Staff Monitoring Program (SMP) and the Poverty Reduction Growth Facility (PRGF). This was completed in 2008 with satisfactory results, according to the IMF. The current fiscal policy is geared toward reducing the weight of domestic debt while at the same time increasing expenditure on poverty reduction and pro-growth strategies. The implementation of the Integrated Financial Management Information System (IFMIS) is leading to some improvements in expenditure control and timely financial reporting. The IMF considers this to be an impressive achievement, particularly when looked at in the light of other countries implementing the same system.

Efficient use of assets

5

Despite these improvements, some areas still require attention. Expenditure on public salaries is still quite high. Recently, incidents of abuse and misappropriation of public resources have been reported in public institutions including the Malawi Electoral Commission (MEC) and the Lilongwe Water Board. Some of these have involved large sums of money, indicating weak external and internal audit

capacities. With the passage of the Public Finance Management Act and the establishment of the Office of the Director of Public Procurement (ODPP), procurement management has improved, although concerns over specific procurement processes remain. The purchase of a \$13.26 million presidential jet in 2009, at a time when the country was experiencing fuel and foreign exchange shortages, showed a lack of efficiency in the utilization of public resources, particularly considering the fact that this procurement request did not go through parliament.

Since the launch of the 2006 – 2011 Malawi Growth and Development Strategy (MGDS), the government has made strides toward the coordination of conflicting objectives and interests. A Debt and Aid Coordination Department within the Ministry of Finance has been strengthened, while the Department of Economic Planning and Development existing formerly within the Ministry of Finance has itself been given full ministry status, and is responsible for overseeing implementation of the MGDS. The government also developed the 2006 – 2011 Malawi Development Assistance Strategy (DAS), which provides a framework for the harmonization of external support for the MGDS. In addition, in 2008, the Office of the President and Cabinet released a set of guidelines for institutionalizing sector working groups (SWGs), which identifies sectors, their composition and operational boundaries. This was performed by grouping all ministries and other agencies funded by the national budget into 16 compatible clusters, with an eye to improving interagency cooperation and coordination. Despite these strides, capacity is still a problem.

Policy
coordination
5

The government is making positive strides in containing corruption. A number of relevant institutions, laws, policies and strategies, including a National Anti-Corruption Strategy, are in place. A National Integrity Committee was recently established. A legally independent Anti-Corruption Bureau is in place, and has pursued a number of corruption-related cases, including one involving former President Bakili Muluzi. Measures have been taken to improve the public procurement processes, including the establishment of the ODPP. Although senior elected representatives, including the president, are required by law to declare their assets, the effectiveness of this law has been described as deficient, as it contains no provisions for enforcement in case of non-compliance. A National Audit Office (NAO), headed by the auditor general, audits state spending as well as the accounts of several donor-funded projects. While a 2010 report exposed serious misappropriation of public funds within the National Assembly and government ministries, it also exposed the fact that there are insufficient financial and human resources to audit all public offices effectively. While the constitution provides for public funding to political parties that hold at least 10% of the parliament's seats, there are no audit mechanisms in place for the use of these public funds. Nor are there any laws governing the private financing of political parties or requiring them

Anti-corruption
policy
5

to disclose their sources of funding. In principle, citizen and the media have the right to access information, but the practical use of this right is limited by structural constraints ranging from the legacy of a culture of secrecy to the non-responsiveness of individual public officers. An Access to Information Bill has been drafted, but has yet to be passed by parliament.

16 | Consensus-Building

There is a basic consensus around adherence to the principles of democracy and the market economy. However, this consensus sometimes appears superficial. As soon as private interests and gains come into play, the consensus is drawn into question. The government's heavy-handed response to critical voices and the issue of the presidential succession also show willingness to compromise core democratic values.

Consensus on goals
7

Antidemocratic veto powers do not exist in Malawi, although some political actors show a potential for regression to antidemocratic practices if they are not checked. In the recent past, President Mutharika has demonstrated a willingness to undermine basic democratic principles such as respect for the rule of law and the separation of powers if it is politically convenient for him. The DPP has also shown increasing intolerance for critical voices from within, and has even used violence against one dissenting DPP legislator.

Anti-democratic
actors
6

The political leadership prevents cleavage-based conflicts from escalating. This is demonstrated particularly by the way potentially volatile political conflicts are handled, with parties taking offense seeking redress in the courts and through peaceful conflict management strategies such as mediation. However, this does not mean there is no potential for cleavage-based conflicts to escalate into violence. The 1999 elections, for instance, were marred by violence when mosques were burnt in the northern part of the country, a situation that was quickly brought under control. After the introduction of a quota system for university access, significant dissatisfaction emerged among northerners and the northern elite, who sought to found a new political party in response. The political leadership reacted heavily-handedly instead of taking a conciliatory approach. However, no violence has erupted with regard to this issue. The current perception of presidential favoritism toward the Lomwe ethnic group risks exacerbating ethnic cleavages.

Cleavage /
conflict
management
6

The political leadership permits civil society participation. Civil society organizations are invited to participate in policy debates and can monitor the performance of government. However, the effectiveness of civil society

Civil society
participation
5

engagement is hampered on the one hand by Malawian groups' limited capacities and institutional weaknesses and on the other by authorities' lack of responsiveness to alternative and critical voices.

The government has recognized the need to make some provision for the victims of the Banda regime, although the reconciliation effort is to date regarded as a failure given that a majority of the victims have received no compensation. Nevertheless, the National Compensation Tribunal established by the constitution to deal with the Banda regime's victims was closed in 2004 after the expiry of its 10-year mandate. Civil society groups continue to lobby the government to revive the Tribunal.

Reconciliation
6

17 | International Cooperation

The government works closely with bilateral and multilateral donors in support of democratic institutions and free market economic principles. It seeks to make use of international development assistance for its domestic reform agenda. At the review meeting for the Common Approach to Budget Support (CABS), held on 16 – 18 March 2010, donors noted that “the government had done well in meeting most of the targets which were agreed in 2009. About 80% of the targets were either fully or partially met.” With the adoption of the MGDS, the government has sought to ensure that donor support harmonizes with its own priorities. Some systemic weakness within the public bureaucracy can still be noted, but efforts to address them are being made. The strengthening of the Debt and Aid Management Unit within the Ministry of Finance is partly an attempt to improve the efficiency of resource utilization and to harmonize international development assistance with government policy.

Effective use of
support
8

The Mutharika government has increasingly gained international donors' trust. However, some donors have criticized the way the administration has undermined some of the basic tenets of democracy, good governance and democracy. Issues cited include the way the Mutharika administration has used its parliamentary majority, the suspension of local government elections, and the issue of minority rights, especially the criminalization of homosexuality.

Credibility
7

The political leadership actively cooperates with many neighboring states and complies with rules set by regional and international organizations. President Mutharika chaired the African Union from January 2010 to January 2011, a period during which Malawi took the lead in a number of regional debates and initiatives. Malawi has also continued to participate actively in peacekeeping missions. The country has deployed a small force of soldiers to the Democratic Republic of Congo and to Darfur in Sudan as part of the African Union peacekeeping initiative.

Regional
cooperation
8

Malawi continues to enjoy good relations with its neighbors, including Tanzania to the north, Zambia to the west and Mozambique to the east and south. However, in 2010, relations with Mozambique were negatively affected by the Malawi government's decision to proceed with the launch of the Nsanje inland port (which opens up Malawi's access to Mozambique's Indian Ocean coastline through the Shire-Zambezi waterway) without the necessary approval by Mozambique's government, which insisted on a comprehensive environment impact assessment. The Malawi president considers this particular project a personal priority, which he would like to see realized before the end of his term. Thus, acts by Mozambique's authorities, no matter what their justification, were considered to be sabotaging President Mutharika's ambitions.

Strategic Outlook

The Mutharika administration's positive strides in macroeconomic management, along with improved socioeconomic conditions largely owing to the implementation of the targeted farm input subsidy, will continue to raise hope and optimism in society. This will boost popular trust and confidence in the regime, particularly among the rural masses. However, Mutharika's apparent contempt for some basic democratic norms and values are a great cause for concern.

Although the next round of elections is not due until 2014, there are strong indications that President Mutharika is grooming his brother Peter for the presidency. This issue will dominate – and certainly complicate – the political landscape in coming years, particularly as this debate risks splitting the DPP in the run-up to 2014. The expulsion of Vice President Joyce Banda and several other key personalities from the party has resulted in the DPP tightening its grip on power, while at the same time widening divisions within the party. The splits and succession battles that also dominate opposition parties will further fragment and weaken the party system, compromising parliament's capacity to play its rightful role within a system of checks and balances. The media faces challenges not only in the law that now empowers the minister of information to ban any publication deemed to be contrary to the national interest, but also in the country's failure to pass an access to information act. The judiciary will continue to demonstrate its independence, but is likely to be overwhelmed by political conflicts, particularly with the early onset of campaigning for the 2014 elections. The gains made on the socioeconomic and macroeconomic fronts can only be consolidated under circumstances of favorable climatic conditions, continued inflow of donor aid, and strict fiscal management. It is difficult at the moment to have a clear outlook on all three variables, as various intervening circumstances may prevent them from being realized. For instance, the country's rain-fed agricultural system, which lacks well-developed irrigation infrastructure, is prone to droughts and flooding. Western donors condition their aid on good governance, but this is not always achieved. As the country enters a very early election phase, there is a risk that the administration will compromise on its strict fiscal management measures, leading to cost overruns.

In the medium term, the Malawi leadership should continue with ongoing reforms and improve political governance. The parliament and local governments should be strengthened, and the constitutional review process revived. Succession politics should not be allowed to compromise democratic governance. While there is no question that continued international development assistance is critical, donors will at the same time have to pay attention to the governance situation to ensure that gains made in the socioeconomic sector are matched by improved governance.