This report is part of the Bertelsmann Stiftung’s Transformation Index (BTI) 2016. It covers the period from 1 February 2013 to 31 January 2015. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at http://www.bti-project.org.


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Executive Summary

Malawi has emerged from the past three years with a fragile economy. Challenges still persist with respect to the desire to pursue a neo-liberal market-led economy in a social environment that calls for a more visible role of the state to address numerous socio-economic problems. Additionally, two critical issues are central to the fragility of the state, both of which concern political leadership. First, the preponderance of tribal or regional politics on national issues over national development agenda continues to put the legitimacy of governments or the state into question. In other words, the state of the government is questioned alongside its leadership, for example, in the hiring and firing of public servants for perceived regional or tribal reasons. Identity based on place of origin is perceived to influence the provision of government business and contracts. Further, delivery of public services is widely perceived to marginalize some sectors of the Malawian society. As a result, the quest for and meaning of identity is no longer seen as national but rather is too narrow and crafted by tribe, region and sometimes religion.

The second critical factor is that of endemic corruption and cronyism that appears to be entrenched into the central and local governance structures. At its very epitome, the national looting of public resources called “cashgate” has made the government lose its credibility and confidence in the eyes of its own citizens and development partners. As a result, its resource base has drastically shrunk, creating more problems in its public service delivery. Malawians are asking if there is respect for the rule of law, if there is justice in a fast-growing two-tier society where some have grown richer faster while others are growing poorer and poorer. It is therefore becoming difficult for citizens identify with the state and exercise active citizenship.

The public discourse in the run-up to the 2014 tripartite elections was dominated by calls for Malawi to have so-called “transformational leaders” who will be inspired by the desire to pursue the common good and work in the interest of the nation at large. Such transformational leaders would learn from the past and from other countries’ experiences to introduce or revise laws and policies that will anchor a development path and agenda that is depoliticized, non-marginalizing...
and inclusive. Though this was deemed as a rediscovery of the nation’s forefathers’ true vision and reclaimed as Malawi’s destiny, frustration was embedded with political representatives who continue business as usual. This was more discernible in the lack of commitment to fulfill campaign promises from political leaders, with the continued politicization of the public service commission, with the continued perception of the governing parties looting public resources for political cronies and the consolidation of power base, the failure to comprehensively and definitively implement the floor crossing trend by members of parliament without recourse to those that elected them, and many other frustrations.

Whether the 2014 tripartite elections delivered the kind of political leadership that Malawians wanted is a question that can only be assessed in the course of the next five years. However, the actual management and administration of these elections revealed that Malawi still has a long way to go in its pursuit of free and fair elections given the disenchantment that characterized the post-election phase from other sections of society. It is these frustrations that have fueled the calls for the introduction of federalism and a feeling, particularly among the opposition parties, of a “stolen” election. The way the current administration and the other stakeholders are going to deal with these frustrations will play a vital role in shaping the political landscape for the next elections in 2019.

Cumulatively, the contemporary challenges faced in sectors like education, health, agriculture, water and sanitation, public security, human rights and governance, the participation of women and youth in governance processes, and the ever-growing economic challenges of many poor Malawians all point to poor and inconsistent leadership. It is the kind of leadership that often steers Malawi into man-made problems for the sake of perpetuating patronage politics where citizens are dependent on political leaders for survival. This perpetuates “politics of the belly,” hatred and discrimination that work against the dictates for national cohesion and meaningful citizen participation in the decision-making processes.

In that regard, the swearing in of Peter Mutharika as the fifth president of Malawi, after a protracted electoral process marred with huge logistical, legal and political challenges, opens another chapter of Malawi politics.

The May 2014 tripartite elections have made the country emerge even more divided. Blaming the first past-the-post voting system, political players in the elections split the votes and the winner emerged with minority votes. However, the country needs a leadership that strategically manages the political settlement for national cohesion and stability, not just believing in winner takes all. Some large sections of the population (mainly the central and northern regions) are not happy with the electoral results, as stories of rigging are rampant, though without substantiation. The divisions in the country along with the emerging voices calling for a federal system of government or for some parts of the country to secede are worrisome trends if ignored and if no proper national dialogue or advice occurs.
History and Characteristics of Transformation

Malawi has seen three regimes in three years (2012 – 2014). First, President Bingu wa Mutharika’s sudden death on 5 April 2012 led to the swearing in of the State Vice President Mrs. Joyce Banda as the state president of the Republic of Malawi as per the constitutional provisions under the banner of her own political party, the People’s Party (PP). Second, the Democratic Progressive Party (DPP) came back into power after the 20 May 2014 tripartite elections with Bingu’s brother, Peter Mutharika, as the president of the Republic of Malawi. This was the second time when an opposition party won elections in Malawi, the first being 1994 when the United Democratic Front (UDF) defeated the Malawi Congress Party (MCP).

Following his overwhelming electoral victory and the DPP’s legislative majority in the 2009 general elections, the government of Bingu wa Mutharika was fast becoming despotic and arrogant, quickly detaching itself from the citizens’ voice of reason and concerns. Even after being lauded as a performing government in his first term from 2004 to 2009, on issues of fiscal discipline, tackling corruption, improving road infrastructure, public security and ensuring consistent efforts towards food security among many other things, the Catholic Church in Malawi issued a pastoral statement called “Reading the Signs of the Times” through its bishops’ conference in 2010 (only one year into the second five year term of DPP under Bingu wa Mutharika) to remind the government to reflect upon the growing discontent of the masses. The government reacted angrily by responding to the pastoral statement. To the government’s astonishment, the bishops had huge support from all walks of life. Key to the socio-economic context of this pastoral statement was:

• Improving macroeconomic indicators that did not reflect the microeconomic indicators with prices of commodities going high.

• Increasing the isolation of Malawi from most neighboring states like Zambia and Mozambique and not overlooking Western powers, as the leadership was more antagonistic than accomodative.

• The failure to adopt monitory policies that would allow more liberal fiscal and monitory policies, to the dismay of IMF and World Bank, which led the Malawi currency – the kwacha – to be artificially stronger, leading to the thriving of the parallel market and shortage of foreign currency, which affected trade and many other related processes.

• The shrinking space of freedom of association, assembly and expression, as the state security systems were abused by the leadership. The party functionaries used intimidation and violence to scare all critics of the government including the media and outspoken religious leaders.
• A series of arbitrary constitutional amendments aimed at narrowing media freedom and expanded executive powers for the president.

The swearing in of Mrs. Joyce Banda in April 2012 was therefore a relief to the country’s population, as she was expected to reverse most of the above issues. She was a popular figure, as she dealt with inflation, restored diplomatic relationships, stabilized the acute shortage of fuel and forex, showed her goodwill on freedom of assembly, expression and speech (through legislative reversals of Bingu’s amendments) and was more people-centered, accommodating public dialogue and engagement with civil society groups, traditional and religious leaders on most national issues.

However, as her government tried to pursue long-needed economic reforms and monetary policies as prescribed by the World Bank and IMF, for example the floatation of the local currency and making an automatic fuel price adjustment policy that directly linked the price of fuel to the global market without any state subsidy or control, the prices of commodities skyrocketed and hit the poor population hard. For example, fuel prices quadrupled within six months of her leadership and the local currency lost almost 80% of its purchasing power. Therefore, voices of pain and public disaffection started emerging. The population was divided, some adopting a “wait and see” attitude while others grew impatient at the immediate impact of the reform agenda. This was concurrent with shrinking public service delivery (like the shortage of drugs in public hospitals) and delays in the payment of civil servants’ salaries, which got worse as revelations of “cashgate” billowed.

The economic reforms that Joyce Banda’s government initiated that her predecessor failed to implement actually took away her popularity. Due to the hard-hitting consequences of the economic reforms, some began to think that the policy positions of the previous regime were better. Yet, interestingly, the new DPP government led by Peter Mutharika until today has silently continued with the liberal monetary policy framework of Joyce Banda, without reverting to the Bingu era of a highly regulated monetary policy.

The Joyce Banda government might have suffered through the lack of an effective communication strategy on its reforms agenda and also the much-publicized looting of public funds, which, given the proximity to the 2014 elections, became highly politicized. If the population exercised patience, the monetary and economic reforms would by now (optimistically) be bearing positive fruits.
The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

Malawians take it as obvious the existence of the state of the republic of Malawi and therefore, they do not ask any questions about its existence and its inherent authority to defend the Malawian land, water and air space. It is also only the state that manages force and both internal and external security of the country. Even if there are private internal security firms to provide private safety and security, these firms are subsidiary to the national and state security apparatuses as prescribed and reinforced by the laws of the country.

Malawi is comprised of different ethno-linguistic groups, religious identities and party affiliations that all subscribe to the Malawian citizenship. However, minimal calls from some parts of the country, especially the northern region of Malawi, have emerged since the 2009 elections either to secede from Malawi or to have a federal system of government, departing from the present unitary system. The grounds for federalism or secession range from the perceived failure of the northern region to produce a presidential candidate to perceptions of marginalization from infrastructure development as compared to the southern and central regions, both of which have, since independence, produced presidential candidates to date. This is complicated by a further growing perception that unless a region in Malawi produces a national presidential candidate, socio-economic and infrastructural development will not be ensured.

The 1995 constitution of the Republic of Malawi recognizes the state as a secular state. It guarantees freedoms of religious assembly, association and worship without any indicative hindrances. There are followers of Christianity, Islam, Hinduism, Rastafarianism and traditional beliefs that are all treated equally before the law. However, with the evolution of Malawi history being symbiotic to the introduction of Christianity through the early foreign missionaries and now with influential followers from Catholic, Protestant and Baptist faiths completing government development processes in many sectors, Christians, which constitute 85% of the
population, are dominant in the outlook of the country. This is followed by Muslims, who constitute about 12% of the total population. Furthermore, Malawians proclaim themselves to be a God fearing nation. As such, lately advocacy campaigns made by NGOs (both local and international) have emerged to promote the acceptance or rejection of new laws like those dealing with minority rights based on faith, which sometimes defeat the secular constitutional order.

Malawi has clearly defined national and district level administrative structures. However, these structures suffer from a lack of adequate personnel and resources to function effectively, especially in terms of service delivery. For example, Malawi has just elected local district councilors who, from a constitutional point of view, are critical toward the functioning of district councils. Not only are these councilors coming in ten years since the last time they were in place, they also have to face the reality of scarce resources as well as working in an environment in which roles between councilors and other actors like chiefs and members of parliament are not yet clarified.

2 | Political Participation

Since 1994, Malawian citizens have actively participated in the choice of their political leaders every five years through a legally and properly constituted electoral framework. The freedoms of expression, speech, political association and assembly, forming political parties and attending activities of various political parties including moving from one political party to another are all provided for. One key challenge, however, is the lack of a legal framework governing the internal functioning and management of political parties, especially when it comes to the nomination of candidates for the various levels of elections. Because of a lack of internal party democracy that prevails in a legal vacuum, party leaderships have tended to impose their preferred candidates on the electorate and not necessarily the candidates that the party membership would have otherwise opted for.

However, the plurality in the electoral system partly mitigates against limited intra-party democracy in the sense that when a political party candidate is imposed by the party leadership, for example, the voters tend to vote for their preferred candidate who may even be independent. Hence, the conspicuous rise in independent members of parliament from four to 39, to 32 and to 52 in the last four consecutive legislative elections.

The May 2014 tripartite elections (presidential, parliamentary and local) brought into question the notion of free and fair election in Malawi. These elections were marred by a number of irregularities that resulted in calls from the various stakeholders, especially political parties, to have the votes recounted. As the controversies raged on, the then incumbent President Joyce Banda, who was trailing in third place,
attempted to nullify the presidential election results on the grounds of the same claim of irregularity. Her decision was found to have no legal basis. In the end, the courts played a decisive role in the determination of the 2014 election results, especially the presidential election results. While agreeing with the petitioners who wanted the electoral management body, the Malawi Electoral Commission, to have the ballot recount, the courts observed that such a recount could only take place within the mandatory allowable period, which would expire less than two hours from the time the judgment was delivered. Under such tight legal framework, the Malawi Electoral Commission was left with no option other than to proceed with the announcement of the results, which gave President Peter Mutharika of DPP victory over the opposition MCP candidate, Lazarus Chakwera, and the then incumbent President Joyce Banda. These results, although they were unsuccessfully disputed thereafter, inevitably left the both the MCP and the PP followers disgruntled.

Another example is the mysterious burning of the warehouse that contained ballot boxes in Lilongwe on the night before a court-ordered ballot recount. The High Court had ordered the recount for Lilongwe City South Constituency, where there were disputed results following the submission of arguments by an opposition MCP candidate, Ulemu Msungama, whose declared win was later reversed instead pronouncing DPP’s Bentry Namasasu as the legitimate winner. Since the ballots were burned, rendering a vote recount impossible, on 28 October 2014 High Court Judge Ivy Kamanga ordered the Electoral Commission to conduct a re-run in the said constituency “soon.” The commission had not yet implemented the court order six months later, and the people’s real choice remained unascertained.

Elected leaders have the effective power to govern with minimal intrusion from internal interested parties. Through the dominance of tribal identities, the main Malawian parties sometimes are perceived to have an advantage on most governing parties’ decisions; this is not strongly visible and objectively verifiable, as the other arms of government like parliament and judiciary provide checks and balances unwaveringly. There are no spaces or powers conferred to any other authority to veto national decisions. Donors have considerable influence on development strategies.

All citizens participate freely in the affairs of the political parties of their choice. Currently, Malawi has over 52 registered political parties, which may be viewed as evidence of flourishing multiparty politics. However, largely due to financial constraints, only seven parties are somewhat functional. The recent past has shown Malawian politicians labeled as recycled politicians due to their continued movement from one political party to another, especially from opposition parties to governing parties. To an extent, the general populace is worried as of late that Malawian politicians are mere opportunity or fortune seekers and have no material or distinct ideological differences, as they continuously become founders of “new” parties that appear to not add value to the anticipated meaning of multiparty politics.
Freedoms and laws, including policy framework to regulate the establishment of associations, CSOs and NGOs, are properly laid down. Although not 100% enabling, they do provide the space for individuals to freely form associations and assemble. However, in the preceding governments’ administrations of the United Democratic Front (UDF), DPP, PP and again DPP, this space has sometimes been compromised through unnecessary intrusions of the state into the work of human rights and governance CSOs. In other cases, all these administrations often co-opted vocal CSOs leaders into various government systems and structures in order to silence their critical mandate. Without reforming the legal and policy framework that regulates the formation of CSOs and other associations, such movements continue to run a risk of depending on the ever-fluctuating good will of political leaders and foreign donors.

The freedom of speech and expression is grounded in the republican constitution and to a large extent is enjoyed by citizens, organizations and the media. The 2013 Afrobarometer survey of 35 countries in Africa rated Malawi with the highest (79%) score for freedom of expression.

The emergence of private-owned print and electronic media houses has taken away the monopoly of information provision from government public media houses and alternative platforms to air citizens’ voices have been established. On the other hand, friction sometimes emerges where such freedoms appear to be censored by politicians, especially those in government at times when politicians start pursuing narrow national agendas. As in the run up to the 2014 tripartite elections, holding public debates on the sale of the presidential jet by the Peoples’ Party government or on the court proceedings for the suspects of the public loot of funds dubbed “cashgate,” individuals received threats from politicians and party zealots beat up critics in order to limit the freedom of expression among citizens on burning national issues.

### 3 | Rule of Law

The republican constitution of Malawi entrenches the doctrine of separation of powers among and between various state structures, thus building a checks and balances system within the Malawian legal framework. For example, there are some executive decisions that are subject to parliamentary scrutiny just like there are parliamentary decisions that sometimes require executive scrutiny before implementation. However, the intrusive and dominating role of the executive is notable in most of the other state structures to an extent that the value of the doctrine of the separation of powers is not fully actualized. Currently, for example, the Malawi parliament must first get the approval of the president in order to meet. It must be noted that on several occasions the judiciary has overturned executive decisions on labor and fair administrative practices, just as it has subjected parliamentary decisions to judicial review. The Malawian judiciary may enforce legal checks and balances.
Similarly, the legal framework provides for the commencement of impeachment proceedings by parliament against judicial officers alleged to have committed offences bordering on abuse of office, statutory or professional misconduct.

The judiciary exists independently and transacts its business without unnecessary infringement from the executive. However, where the laws continue to allow the president to appoint High Court judges and Supreme Court justices, the head of Malawi Electoral Commission, the Head of Malawi Police Service, the boards of parastatal institutions and many other state structures, the president presides over wider clientele to create implicit expectations of loyalty and indirectly affecting the effectiveness of such offices.

The perception of judicial independence for individual judicial officers is perceived to be under partisan influence as often as highly political settlement issues including court direction on contested electoral outcomes are referred to the courts. While the very act of taking the matters to court suggests political trust in the judiciary as an impartial arbiter by the concerned parties, the losers of the case often receive the court determination with disdainful overtones.

In cases where public officers abuse their positions, there are legal provisions and spaces for prosecuting them while they hold leadership positions. Currently, there are over 75 public officers ranging from accounts assistants to principle secretaries in various government ministries who are being prosecuted as suspects in the looting of billions from public funds. There are some that are currently sentenced and are serving their jail terms. But prosecution often hits its limits in cases where senior politicians are involved. The Anti-Corruption Bureau is – because of insufficient power and lack of resources – not able to prosecute office holders breaking the law and is often “paralyzed” through political influence. These cases are pursued retrospectively after these politicians and their parties are out of power or when their political connections have fallen off. In such cases, the government has been blamed for the political witch-hunting of its enemies and rarely as a course of justice against those who are allegedly on the wrong side. In sum, in many cases office holders are not adequately prosecuted.

The current republican constitution (Section 4) provides for civil and political rights with a mechanism of redress. There are state-instituted organs like the Malawi Human Rights Commission, the Ombudsman and the Anti-Corruption Bureau, which are mandated to deal with civil rights violations and the redressing processes. Citizens can directly hire their own lawyers to seek redress to their infringed rights cases, though it is expensive to hire private lawyers in Malawi and few that are urban based provide pro-bono services.

However, minority rights, such as those of transgender relationships, remain outlawed in Malawi. Although donors have attempted to use aid to influence legal
changes in favor of such groups, the strong influence of religious groups and traditional leaders prevails in favor of status quo. From the perspective of the broad majority of the Malawian society, legalizing transgender relations carries a high political cost that no regime is willing to risk.

4 | Stability of Democratic Institutions

The country’s democratic institutions like parliament, the judiciary, the executive, CSOs, faith-based organizations (FBOs), the media, political parties and other quasi-government offices like the Human Rights Commission, the office of the Ombudsman, the director of public prosecution and others are established by the constitution and perform according to their defined functions.

A serious challenge for institutions such as the Law Commission, Electoral Commission and Human Rights Commission, is that local authorities and public media rely on the executive for their financial dependence. Furthermore, the executive has the authority to appoint members of these commissions. The execution of the roles of these state institutions remains contingent on the executive’s good will to provide timely, sufficient and sustained funding, and this is an outstanding challenge to the execution of their mandates.

The state and key groups such as the military, business and political elites are committed, at least formally, to the establishment of democratic institutions. The military is not willing to interfere in politics, although some politicians proposed an active role for the military during the crisis after the death of President Mutharika in April 2012. However, the dominance of executive powers sometimes paralyses the functionality of such institutions, either through the politicization of leadership positions or the general weakening of the financing and personnel allocation.

5 | Political and Social Integration

Ever since a multiparty democracy was reintroduced in the early 1990s, the thriving political parties have tended to divide the country into regional and sometimes tribal enclaves. Religious identities often become visible when presidential candidates are identifying their running mates during elections years. Thus, political parties are sometimes seen as advancing narrow sectional interests and not national aspirations.

Political parties remain fragmented, weakly organized at all levels and funded mainly by their respective founders, who usually finance “their” party. Political parties are weakly rooted in society, as manifested by the absence of well-organized and institutionalized party membership schemes. In any case, parties in Malawi tend to have supporters and not members.
There are no distinct ideological and program identities among and between political parties such that constant switching of party affiliation at any level within the party structure does not represent a change in political beliefs but merely a shift in allegiance to personalities. To the same extent, voter choice is not influenced by the persuasion of competing party programs, but rather narrow and parochial personality and tribal considerations.

Malawi has a relatively narrow range of interest groups in the classical spheres of business and labor organizations. However, there is a wide range of civil society organizations including church-based groups in the field of human rights and development.

In particular, there are faith-based platforms like the Public Affairs Committee, the Episcopal Conference of Catholic Bishops of Malawi, the General Assembly of Presbyterian Church of Malawi and the Muslim Association of Malawi that from time to time aggregate and articulate issues that feed into the political system. Such institutions have regularly mediated between ruling parties and opposition, between government and its cooperating partners, and between CSOs and politicians on issues of national concern, as they command a higher moral legitimacy and authority in Malawian society. The last years have witnessed a growing number of youth and women’s organizations.

In addition, through the Malawi Electoral Support Network (MESN) civic education groups have been able to engage and negotiate with the Electoral Commission, political parties, Human Rights Commission, traditional leaders, the security apparatus and other electoral stakeholders on pertinent electoral challenges.

Citizens strongly approve of democratic norms and procedures, though this is generally considered to be an aspiration existing only on paper rather than a reality. Society and the management of political parties are prominently tied to legacies and practices of autocratic values despite the amount of intrusion by civic education interventions on governance and democracy from various stakeholders. Furthermore, the traditional clan and family system make loyalty more critical to individual than to national identity. Consequentially, there is an ambiguous approval and application of democratic norms and procedures.

While the 2014 Afrobarometer survey shows that 71% of Malawians are supportive of democracy compared to other forms of government, 49% indicate satisfaction with the way democracy is working in Malawi. The same survey also shows that most Malawians (79%) trust religious leaders, the army (78%) and the judiciary (70%), while 75% approved the performance of the media in reporting government mistakes and corruption. By contrast, only 33% approved the performance and responsiveness of the previous members of parliament, although the majority (73%) of the people want parliament to remain the only law-making organ.
Self-organization and social capital are evident in Malawi through both modern and traditional approaches. There are academic associations in political science, among medical practitioners, and alumni from various colleges and universities, all of which are connected by the cohesive factor of educational encounters. There are clubs in urban and semi-urban areas where people of different orientations who share certain values come together from time to time. In both rural and urban areas, social capital is visible through belonging to the same political party, associations of friends that come from the same district or the same region, tribal groups or a common ethnic identity. Currently, traditional/tribal groupings like Mulakho wa Alhomwe, Chiwanja cha Ayao, Chewa cultural heritage and Umhlangano wa Maseko Ngoni have become prominent in Malawi, as they symbolize the unity of tribal affinity and in some cases, the re-orientation of political cleavages as the basis of regional political orientation. However, national integrity (or common good) and quest for meaning and belonging is slowly being superseded by such sub-national cleavages and tribal social capital platforms.

Although there is a facade of political unity during funerals of prominent religious, traditional and political figures and attendance at cultural celebrations across tribal groups, there is more trust within members of a tribal cleavage than is observed between and across tribal groups, which tend to be comparatively weak.

II. Economic Transformation

Malawi is still ranked as one of the poorest countries in the world with a Human Development Index value of 0.414 in 2013 – which is in the low human development category – positioning the country at 174 out of 187 countries and territories. Although the national poverty rate has declined to 50.7%, indicating that almost half of the population is poor and about one in every four people lives in dire poverty such that they cannot even afford to meet the minimum standard for the daily recommended food requirement, it is still proportionately the highest among women. About 49% of people in male-headed households are poor as compared to 57% of people in female-headed households.

With Malawi’s 85% of the population being rural based, poverty is very high in the rural areas. Some 94% of the poor live in the rural areas as compared to only 6% in urban areas. The poverty and inequality levels in Malawi are very high. The richest 10% of the population have an average per capita income that is nine times higher than an average per capita income of the poorest 10%. Moreover, the richest 10% of
the population have a median income that is six times higher than the median income of the poorest 10%. Malawi’s Gini coefficient of 0.452 signifies that the inequality was slightly higher in 2011 as compared to 2005, which stood at 0.390 despite an average GDP growth rate of 7% and food surplus. Although the growth rates were higher during this period, most of it was not inclusive growth and did not trickle down to the poor. Many of the poor remain subsistence farmers and could go hungry if the government did not provide a farm input subsidy.

Malawi’s national literacy rate for the proportion of the population aged 15 years and above is on average 65%, with female literacy estimated at 57% compared to 74% of men. This gender disparity can be attributed to school dropouts of girls in both primary and secondary schools.

While Malawi’s life expectancy at birth being at 55 years, maternal and child mortality remains high. Maternal and child mortality rates are currently estimated at 675 out of 100,000 live births and 112 out of 100,000 births, respectively, and the major causes include: early marriages and pregnancies, poverty and marginalization, harmful cultural practices, gender-based violence, malaria, tuberculosis and other opportunistic infections, lack of information and services, and religious beliefs. Access to contraceptives remains a challenge and is estimated at 46%. Consequently, the Total Fertility Rate (TFR) has remained high at 5.7. The poor access to sexual and reproductive health information and services by adolescents exposes them to STIs, HIV and AIDS thereby compromising their reproductive health. The HIV prevalence rate among the general population stands at 10.6%, with women and girls having higher infection rates than men, and often at younger ages. The National AIDS Commission report indicates that 46% of all new HIV infections occur in the 10- to 29-year age group and that 69% of sexually active young people have multiple partners.

With 80% of the Malawi’s population being rural based and dependent on subsistence agriculture, Malawi’s economy is agriculture based. In 2013, Malawi attained GDP growth of 6.1% due to a significant rebound in the growth rates of agriculture and manufacturing, following declines in these sectors in 2012. In the agricultural sector, this was mainly attributed to a 111.3% increase in tobacco output in 2013. Growth in the manufacturing sector also rebounded in 2013, owing to higher agricultural inputs, a constant supply of foreign exchange and fuel, the appreciation and stabilization of the kwacha between April and August 2013, and the steady decline in inflation rates between February and September 2013.
<table>
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<td>Military expenditure</td>
<td>% of GDP</td>
<td>1.4</td>
<td>0.9</td>
<td>1.8</td>
</tr>
</tbody>
</table>

Sources (as of October 2015): The World Bank, World Development Indicators 2015 | International Monetary Fund (IMF), World Economic Outlook, October 2015 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2015.

7 | Organization of the Market and Competition

Malawi’s market is basically liberal and enhances competition, albeit with weak policy, legal and institutional frameworks. With an annual average GDP growth of 6.1% in the 2013/2014 financial year, Malawi’s economy does not present opportunities for competition. Due to the size of the economy, which has not been growing at a fast rate, the number of players varies according to sector. Some sectors such as agriculture (small and large scale), internal freight and passenger transport, construction, distribution, private, social and community services have a good number of players vis-à-vis sectors such as manufacturing, financial, and professional services sectors. Dominant public corporations such Press Trust and ESCOM, among
others, as well as foreign-owned companies continue to dominate the private sector. In terms of market-based competition, there are very few competitive markets in Malawi. Small-scale farmers compete when selling their produce. There is no monopoly in the selling of farm produce except in the tobacco industry. Tobacco growers face a limited number of buyers who collude during tobacco auctions. Some competition does exist in the manufacturing sector. At the same time, some monopolies and oligopolies are starting to face competition to liberalize trade. While it is possible to notice competition in the markets of consumer goods, edible oils, skin care, beauty products and household goods (durable and non-durable), there is limited competition in markets for sugar, opaque beer and soft drinks. Furthermore, the influx of second hand Japanese vehicles and spare parts presents tough competition for established motor vehicle franchises such as Toyota, Nissan and others. Although the transport services market is considered to be potentially competitive, minibus, taxi and transport operators’ associations have tended to collude and muzzle competition.

More and more local firms are closing down operations and remaining uncompetitive. This is evidenced by the shrinking contribution of the manufacturing sector to GDP from 9.9% in 2011 to 9.5% in 2013 and 9.4% in 2014 (projected). While local firms attribute this to dumping prices for exports, analysts consider the inability of local firms to adjust to competition due to obsolete technologies and outdated management styles. Trade liberalization has resulted in the mushrooming of distribution and informal trade. Regulation of the informal sector, coupled with the diversification of the agrarian-based economy and expansion of the mining and energy sector, are key to Malawi’s quest for economic transformation.

Malawi has both the policy and legal frameworks to prevent the development of economic monopolies and cartels. The Competition Policy for Malawi was approved in 1997 with a broad policy objective to promote economic efficiency and protect consumer interests. The Competition and Fair Trading Act (CFTA) came into force in 1998 with the aim of encouraging competition in the economy by providing for the establishment of the competition commission, regulating and monitoring monopolies and dominant firms, protecting consumer welfare, strengthening the efficiency of production and distribution of goods and services, securing the best possible conditions for the freedom of trade, and facilitating the expansion of the base of entrepreneurship, among others. The Consumer Protection Act of 2003 contains provisions for regulating fair trade practices and the establishment of a Consumer Protection Council to protect consumers from a host of unfair trade practices. While the Malawi Competition and Fair Trade Commission (CFTC) has been operational and has started taking some businesses to task, the Consumer Protection Council is yet to be established. Despite the functionality of the CFTC, there are still some restricted business practices prevalent in Malawi, especially in the service sector. While the government has encouraged the formation of associations such as for various professions, the activities of these associations tend to include those that are...
clearly restrictive business practices to the detriment of consumer welfare. CFTC has been monitoring these but it has to do more. For instance, the CFTC ordered the Independent Schools Association of Malawi to desist from engaging in anti-competitive business practices. More needs to be done to check and monitor the development of economic monopolies and cartels, as the CFTC has limited capacity.

A more fundamental problem lies in the fact that there is no competition in some sectors. Monopolies still run the electricity and water sectors.

Other sectors reveal an oligopolistic structure. Mobile communication is still run by four major companies, unlike the broadcasting sector, which has seen the entry of more operators for both radio and television, thereby introducing some competition in telecommunication.

The Malawian economy was liberalized in the wake of the Structural Adjustment Programs (SAPs) of the early 1980s. Another milestone was the liberalization of the exchange rate in May 1999. This high degree of liberalization has been maintained. According to the 2010 Malawi Trade Policy Review submitted to the WTO, Malawi’s trade policy is directed towards maintaining an open economy, with relatively low tariffs (averaging 13.5%) and a general absence of non-tariff barriers. Import and export licensing is considered fairly liberal, with restrictions largely based on health, safety and national security reasons. The government maintains a coherent legal and regulatory framework, recently reviewing its trade laws, especially those pertaining to services, to ensure their compatibility with WTO guidelines.

In 2013, Malawi adopted a National Export Strategy (NES), whose strategic imperative is for the long-term export trend to match the long-term import trend and to allow the Malawi Growth and Development Strategy (MGDS) II to build on the gains made under MGDS I. The target is to raise exports as a share of imports from 51.5% in 2010 to 75.7% in 2017 and 93.4% in 2022. NES has identified oil seed products, sugar cane products and manufacturing as clusters that have the potential to equate to over 50% of exports by 2027, thereby complementing tobacco as a major export. The impact of these reforms is, however, yet to be felt.

Malawi’s financial market system is relatively shallow and has remained largely stable. Malawi’s financial profile, as presented by “glObserver Africa,” show that Malawi’s banking sector, which includes 13 commercial banks with over 70 branches across the country, remains well capitalized and profitable. The level of penetration of the banking sector is, however, limited, as only 33% of the adult population uses banking services. Although the government has provided incentives to encourage mobile banking services through waiving tax on mobile money equipment, among others, only 4% of the population uses mobile money services. As much as 46% of the adult Malawian population have or use no financial products or services to
manage their finances. If they save, they keep their money at home, and if they borrow, they only rely on family and friends.

The supervision of the banking sector and strict enforcement of banking regulations remain weak. In the wake of the cashgate scandals, it was evident that banks were the ultimate conduit in facilitating both the theft of public money and hiding (through conspicuously large savings found in the old personal accounts associated with new business accounts containing the stolen money). It is paradoxical that although the foreign audit report singled out specific banks that flouted banking regulations in facilitating the illicit transactions, no single bank officer is known to have been prosecuted or suspended.

8 | Currency and Price Stability

Following the shocking devaluation of the Malawi currency in mid-2012, prices shot up and inflation remained stubbornly high. Notwithstanding the Economic Recovery Plan and other fiscal discipline measures introduced by the Joyce Banda administration, inflation has remained high at an average of 23%. In fact, in November 2014 it picked up to a high of 23.5%. As a result, interest rates have also remained high, with the policy interest rate at the Reserve Bank of Malawi remaining consistently at 25%. This has resulted in the pushing of the prices of goods and services and the huge defaulting on bank loan repayments, leading to unprecedentedly high property repossessions by the banks in late 2014 and early 2015. Further, the price of fuel, which is a determinant of the prices of other goods and services, has been going up and down due to the automatic fuel adjustment mechanism that the government adopted in 2012 and has maintained to date. The automatic fuel adjustment mechanism allows the fuel prices to move up and down depending on the price of fuel on the world market and the rate of the currency.

Malawi adopted a floating currency policy in May 2012 and since then the Malawi kwacha has not stabilized. The local currency depreciated quite significantly towards the end of 2014, reaching 520 kwacha to the dollar at one point. Owing to policy measures undertaken by the central bank that included the purchasing of government debt denominated by kwacha by the Preferential Trade Area Bank (PTA Bank) using dollars, the local currency steadily appreciated to just about 450 kwacha per dollar (middle rate) at the end of year in 2014.

The independence of the Reserve Bank remains debatable given that the president appoints the governor and the two deputies. In fact, the trend has been that any change in the political leadership has resulted in changes in the central bank’s top leadership. In early 2015, a draft bill was presented to parliament seeking statutory amendments that govern the operations of the central bank, aimed at partly enhancing the political independence of the bank.
Malawi adopted the Economic Recovery Plan (ERP) as a macroeconomic reform to ensure that the country was back on track to economic stability following turbulent times characterized by serious challenges such as a shortage of foreign reserves, scarcity of fuel and essential drugs in hospitals, and the below average performance of some industries due to inadequate imported raw materials. In the second half of 2012, the country witnessed an improvement in the foreign exchange available and in the incentives for export commodities. This was mainly due to the adoption of the ERP. Macroeconomic pressures such as inflation, exchange rate volatility and excessive government domestic borrowing, however, continued even in the wake of the ERP. In response to continued inflation, the Reserve Bank of Malawi (RBM) maintained a tight monetary policy stance. The sharp depreciation of the Malawi kwacha has, however, resulted in a slower pace of disinflation.

The revelations in September 2013 of the looting of public funds, the so-called “cashgate,” further complicated the macroeconomic challenges facing Malawi as donors suspended budgetary support thereby further widening the fiscal gap. The widening fiscal gap was manifested, among other ways, in an increase in government domestic debt by 9.2% and the closing of the second quarter of 2014 at 426.9 billion kwacha (18.6% of GDP) from 390.9 billion kwacha in the preceding quarter.

9 | Private Property

Malawi has laws and policies that protect property rights and regulations on acquisition, benefits, use and sale. Malawi’s legal system functions fairly well and is generally unbiased. Furthermore, both foreign and domestic investors have access to Malawi’s legal system. However, owing to staffing constraints and heavy caseloads, legal redress is protracted.

While the acquisition, disposition, recording and protection of all property rights (land, buildings, etc.) as well as intellectual property rights (copyrights, patents and trademarks, etc.) are legally governed, the challenge remains with the implementation and enforcement of the relevant laws and policies. This is mainly due to limited budgetary support, which has resulted in weak institutional capacities, fraud and corruption. In 2007, Malawi established a dedicated Commercial Court in Blantyre and another in Lilongwe in 2010 – and these courts handle some of the property rights issues. Both the Global Property Index and the 2015 Index of Economic Freedom have scored Malawi at 45 and 40 respectively on property rights. This shows that property rights remain a challenge in Malawi.
Private and public enterprises freely compete on the same terms and conditions for access to markets, credit and other business opportunities. In some instances, however, government has tended to favor public enterprises in undertaking certain public works.

A case in point is the distribution of subsidized farm inputs, which is often done by Agricultural Development and Marketing Corporation (ADMARC) and Smallholder Farmers Fertilizer Revolving Fund (SFFRF). Furthermore, in times of foreign exchange scarcity, the government tends to give preference to its public enterprises such as ADMARC and the National Oil Company of Malawi (NOCMA). Such preferences and/or exceptions are, however, done without any set criteria or policy framework.

The privatization of state-owned companies is managed by a government owned entity, which rebranded from the Privatization Commission to the Public Private Partnership Commission. The rebranding was aimed at allowing the public sector to access new financial resources in various sectors of the economy including energy, transport and tourism. The privatization or sale of state-owned agencies and property is done in a transparent manner despite the lack of accountability of the proceeds of the privatization. The lack of accountability of the privatization funds has drawn mixed reactions from people, thereby questioning the continuous sale of government-owned property and assets; the most recent is the contested impending sale of Malawi Savings Bank whose majority shareholder is the government.

10 | Welfare Regime

The Malawi cabinet approved the National Social Support Policy in July 2012. The government of Malawi is implementing a number of programs in social protection to reduce the vulnerability of the poor. The social safety nets are non-contributory transfer programs to prevent the poor or those vulnerable to shocks and poverty from falling below a certain poverty level. Malawi has two broad-based safety net programs: the food-based and the cash-based safety net programs. Food-based safety net programs support adequate consumption and contribute to improving nutrition and securing livelihoods. They differ from other safety net programs in that they are tied to the provision of food, either directly or through cash-like instruments (i.e., food stamps, coupons) that may be used to purchase food. According to the Integrated Household Survey 3, 14.8% of the population in Malawi benefit from its school feeding program. Cash transfers are defined as the provision of assistance in the form of cash to the poor or to those who face a probable risk of falling into poverty in the absence of the transfer. The main objective of these programs is to increase poor and vulnerable households’ real income. A small proportion of people in Malawi benefit from cash transfers (0.2% from government and 0.3% from development partners). The farm input subsidy, a social safety net initiative that provides farm inputs to
farmers at a subsidized rate, is one such political program that has been implemented since the Bingu administration. However, there are annual challenges of beneficiary identification and also beneficiary graduation. A further analysis of the social protection programs show that the programs are not making people resilient to shocks.

Malawi is yet to have mandatory public health insurance or market-based initiatives for the specific health and social welfare needs of its poorest citizens. The Peter Mutharika administration has indicated that it intends to introduce a health insurance scheme for the country’s public servants that will be expanded to the entire population. A mandatory pension scheme was introduced in 2011 that was mainly implemented for non-government employees with civil servants joining later.

Equal rights for both men and women are guaranteed in the Malawian constitution, which also prohibits any discrimination based on gender or marital status, including in the workplace. The Gender Equality Law that was passed in February 2013 seeks, among other things, to enhance gender equality and equal integration of men and women in all societal spheres. According to this law on Gender Equality, sex discrimination, harmful practices and sexual harassment are not only prohibited, but the victims can also seek redress. Furthermore, the elimination of uneven distribution of opportunities is provided for in the same Act. In addition to its own national laws and policies, Malawi is also a signatory to and has ratified and domesticated some regional and international treaties and protocols that promote equal opportunity.

Though the country has been profoundly modernized its institutional setup since it embraced democracy in 1994, it remains a very traditional society in its practices. The position of women in politics is weak, though the representation of women in parliament has progressed somewhat. In terms of political participation, various international instruments to which Malawi is party, such as the SADC Protocol on Gender and Development, provide for women’s empowerment. The protocol has set 50% as a target for decision-making positions to be occupied by women by the year 2015. The trends on the ground, however, show that there is still a long way to go for the country to achieve this target. Since 2004, the proportion of women in the National Assembly has improved by only 8% points, from 14% to 22% in 2009, and decreased to 16% in the 2014 tripartite elections. In civil service, less than 30% of decision-making positions are held by women.

Although the legal framework is clear in terms of providing equal opportunity, the reality in practice is different. For instance, while the country has a very progressive law in inheritance, women continue to face challenges in this regard. Furthermore, the advancement that has been made in formal/modern law has not been complimented by an advancement in customary law, which exists side by side with the formal/modern law. The customary law, however, dominates the societal strata when it comes to socialization and norm formation. Consequently, it is not surprising
to see, for instance, that women’s access to land typically derives only from men, who take the lead in deciding how land allocated to the family is used. In addition, there are no specific laws governing ownership rights within marriage in Malawi.

While access of women to bank loans has improved in recent years thanks to the development of specific micro-credit programs, women in rural areas still face obstacles obtaining credit because of the requirement to provide security, as well as their own low level of education and a general lack of information.

Through the passing of the National Policy on Equalization of Opportunities for Persons with Disabilities, Malawi has attempted to meet the challenges and aspirations of people with disabilities, as this national policy seeks not only to equalize opportunities for disabled persons in terms of the economic rights of disabled people, but also their broader social and political rights, which are closely linked to economic empowerment. Despite the policy and legal frameworks, persons with disabilities face a number of challenges to access opportunities in Malawi. The public is yet to respond to the needs of persons with disabilities as they cannot access most of the public services and goods, as they are not customized to meet their needs.

11 | Economic Performance

Since the 2013/2014 financial year, the Malawi government has continued with efforts to recover the economy from the ensuing economic malaise through a sustained floating of the exchange rate, tightening of the monetary policy and control in government expenditure. The Joyce Banda government adopted the Economic Recovery Plan (ERP), which was later abandoned by the Peter Mutharika administration in the third quarter of 2014. However, the ERP continued to provide overriding guidance in policy formulation alongside the MGDS II. While in 2013 the world economy grew by 3% (down from 3.2% for 2012) and was projected to rise to 4% in 2014, Malawi’s economy was estimated to have grown by 5% in 2013 (up from 1.8% in 2012) to equal that of the Sub-Saharan region during the same period. It was expected that the domestic economy would grow by 6.1% in 2014 and 6.2% in 2015 according to Africa Economic Outlook in 2014. However, the positive outlook was dampened by emerging risks such as uncertainty regarding donor inflows against the backdrop of the cashgate scandal, a fall in tobacco prices and continued rise in interest rates as the Reserve Bank of Malawi (RBM) maintained a tight monetary stance.

Malawi’s resource envelope (both revenue and grants) underperformed in the 2013/2014 financial year by 13.69%. The underperformance was generally due to the reduction of grants, which had reduced by 67.05% due to donors withholding budgetary support in the wake of the cashgate scandal. A central element to the fraud was the manipulation of a government software system that was supposed to help
control spending. An independent audit was commissioned from Baker Tilly, a British accountancy firm. The audit revealed that the state was defrauded of around $32 million, almost 1% of Malawi’s annual GDP, in just six months. Because of the “cashgate” scam, donors decided to withhold budget support, which constituted about 16% of the 2013/2014 recurrent budget and 11% of the total budget. As a result, the ability of the government to function was crippled and un-budgeted domestic borrowing of 121 billion kwacha was incurred and the stock of domestic debt as of 31 May 2014 climbed to 340 billion kwacha. Further, as a result of donor withholding, budgetary support and loss of funds from the “cashgate” scandal, the government drastically reduced budget allocations to ministries and a number of them became dysfunctional.

Realizing that donors would continue withholding budgetary support, the Peter Mutharika administration decided to put a zero donor budget into place, which identified new sources of revenue, among others, thereby increasing the tax collection base. At the 2014/2015 budget mid-year (July to December 2014), Malawi’s development partners had not yet committed resources towards budgetary support. Some ministries had exhausted their budgetary allocation, the domestic revenue had under-performed, tax revenue over performed somewhat but non-tax domestic revenues fell sharply below the expected target. Malawi’s dream of an economic normality during the third quarter of the 2014/2015 financial year was shattered by an emergency disaster, which had engulfed the country, with 15 districts declared disaster areas and government’s attention focused on emergency response. Malawi’s economic transformation is on its deathbed unless the government aims at reaching economic normality – an economy where low inflation and interest rates prevail, exchange rate variability is narrow and predictable foreign exchange availability is permanently assured.

12 | Sustainability

Malawi has an Environmental Act and environmental management strategy providing the legal and policy framework that regulates environmental affairs. However, the proportion of land area covered by forest remains unsustainably low. The environment plays a significant role in influencing social and economic development at both the household and national levels. The current trend in deforestation and forest degradation is having a negative impact on the social, economic and environmental condition of the country. It is estimated that between 1990 and 2005 the country lost around 494,000 hectares of forest. The underlying causes of environmental degradation are poverty, increasing population growth, inadequate alternative livelihoods and unaffordable energy technologies, among others.
A recent estimate on the loss of forest area was made in 2005; it indicated that the proportion of land area covered by forest declined to 36% from 39.6% in 1995. It is projected that by 2015 the forest cover will be 32.8% if the current rate of deforestation continues. The main cause of the rate of deforestation in Malawi has been the primary use of timber as fuel by the rural poor. Nevertheless, the government is still committed to ensuring the restoration of land area covered by forest. In line with this, a number of initiatives such as intensifying reforestation, afforestation, promotion of natural regeneration, forest protection and management programs are being implemented.

High poverty levels have resulted in increased pressure on natural resources, which were supposed to be protected. The ratio of surface area protected to maintain biological diversity has been constant since 1990. The proportion of protected area will remain constant up to 2015, as projected in recent studies. The high cost of electricity is a deterrent to most households, especially in rural areas, even in cases where energy is available in the form of hydro or solar electricity. The proportion of the population using solid fuel has slightly decreased from 98% in 2009 to 97.4% in 2011. On average, about 99% of the rural population and 87% of the urban population are using solid fuel according to survey data. This could be a result of the lack of alternative energy sources in rural areas and intermittent power failure and high electricity tariffs in urban areas. By 2015, it is projected that the country will be unlikely to meet the Millennium Development Goals target.

Since 1994, primary education in public schools has been free, but fees are required for attending public secondary schools and other institutions of higher learning. While the introduction of free primary education has resulted in increased enrollment, the quality of education has decreased, as most primary schools in Malawi are under-resourced, under-staffed and under-funded. Furthermore, it is not unusual these days for learners in primary schools to be required to purchase their own school uniform, pens and notebooks, which many families find difficult. School dropout rates are high. According to UNESCO, only 58% of children complete a full course of primary school, and 20% of children repeat one or more school years, often several times if they have had to take significant time out of school and have fallen behind. For most people in Malawi, primary education is the highest level of education that they will achieve, therefore primary education is an essential aspect of community life in Malawi and is critical to the development of Malawi as a whole.

Access to secondary education is limited and many drop in and out according to their ability to pay their school fees. According to UNICEF’s Malawi Annual Report, only 13% of secondary school aged children actually attend secondary school.

With all the challenges facing children in Malawi, very few will ever make it through to post-secondary education. According to a World Bank Working Paper entitled “The Education System in Malawi,” average university enrollment during the period 2003 to 2008 was only 51 enrollments per 100,000 citizens.
Transformation Management

I. Level of Difficulty

There are a number of structural constraints that have made effective governance extremely difficult. As a landlocked country, Malawi’s geographical location is a disadvantage presenting challenges to growth and development. Measuring only 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, low educational standards, a high degree of social inequality, neo-patrimonial administrative structures subject to interference at the hands of politicians, unproductive cultural traditions and work ethic, weak market economy structures, underdeveloped infrastructure, dependence on rain-fed agriculture (which makes the country highly susceptible to drought) and a high HIV/AIDS infection rate.

Malawian has a history of civil society from independence, among those in service delivery like health, education and food security many thrived. During the period under the autocratic rule of President Hastings Band, civil society became extremely weak. However, after the reintroduction of multiparty democracy, many CSOs dealing with socio-economic and political governance issues have emerged. Most of them are city based with minimal constituency-building initiatives to rural areas. Most of them suffer from a founder syndrome – weak organization, lack of experience and dependence on external funding – that limits new leadership to emerge from CSOs. Rural areas have community-based organizations (CBOs) or faith-based institutional structures that reach out to the people on numerous issues. Their financial viability is weak since they depend on external donor partners and as such cannot survive after donor funding withdrawal.

With multiparty politics eliminating the “forced” unity of the different tribes that make up the Malawi nation, tribal, social and nowadays religious conflicts have emerged. These are heightened during the years closer to and soon after elections, as such enclaves seek power for their own members to get the presidency. For the last five years, some Muslims in the Mangochi district have shown signs of becoming extremists and intolerance to other faiths while the emergence of charismatic and Pentecostal churches has ushered in previously unregistered religious competition. Ethnic tensions are highly visible on social media as citizens comment on numerous
national issues and defend or attack government decisions more often from an ethnic identity perspective than a rational perspective. Also, during electoral political campaigns there are explicit voices pitting one ethnic group against another. These factors fluctuate but need only to be recognized and managed.

II. Management Performance

14 | Steering Capability

The government of Malawi has defined and set development priorities since independence. In the period under review, the most important long-term development strategies are the Vision 2020 and, in the intermediate time, the Malawi Growth Development Strategy (MGDS) II. The Vision 2020 (drafted in 2003) formulated overambitious goals to make Malawi a “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 being a technologically driven middle country.” The current 340-page long MGDS II covers a wind range of priorities for the period between 2011 and 2016. Like its predecessor, MGDS II is built on thematic areas from which priorities are derived. MGDS II has six thematic areas: sustainable economic growth, social development, social support and disaster risk management, infrastructure development, governance, and – new to MGDS II – gender and capacity development. From these themes, the MGDS II derives nine key priority areas, which are central to the sustainable economic growth and wealth creation. These key priority areas are: agriculture and food security; energy, industrial development, mining and tourism; transport infrastructure and Nsanje World inland port; education science and technology; public health, sanitation, malaria and HIV/AIDS management; integrated rural development; green belt irrigation and water development; child development, youth development and empowerment; and finally climate change, natural resources and environmental management. In addition, the Joyce Banda government launched an 18 month Economic Recovery Plan (ERP) in late 2012 focused on a handful of priorities which were “pro-growth, represent quick wins, and are highly effective.” This plan stressed the need for social protection programs through the Farmer Input Support Program (FISP) and other assistance to small-scale farmers, public works, school meals, scholarships for girls and cash transfers. It also identified diversified commercial agriculture, tourism, energy, mining and infrastructure/information technology and communications (ITC) as sectors which can help turn around the economy and assist in the structural transformation needed to successfully implement the MGDS II.
All government strategies during the last 25 years are aimed at deepening democracy, strengthening the market economy (private sector development) and improving social services. They can only be realized in collaboration with local stakeholders and international donors. However, maintaining such priorities and setting goals is hampered by cooperating donors shifting priorities and sometimes due to the impact of natural disasters like floods and droughts, or due to short-term political interests that override strategic policies and priorities.

Government policies have been implemented but with limited success. While the government has continued with its policy development agenda, guided by its policy framework, the MGDS sustainability of policy reforms, however, remains a challenge. One key factor that contributes to this is that in many instances, policy priorities and their respective implementation are tied to the government in place and time. Continuity of policy implementation from one administration to the other is rather rare. For instance, the ERP that was initiated within the framework of the MGDS II by President Joyce Banda was silently abandoned by the Peter Mutharika administration. On the other hand, the current administration has embarked on a public sector reform program, the results of which are yet to be seen. Furthermore, the administration’s success in implementing its policies is also substantially dependent on foreign aid from development partners, given that over 40% of Malawi’s development budget is financed by donors.

The ability for policy learning by government is evident but not consistent. For instance, when the previous MGDS I was coming to an end, the government initiated a series of consultations with a wide range of stakeholders to review the strategy. Its lessons were taken into account in the formulation of the present MGDS II (2011 – 2016). Furthermore, in coming up with the national budget, the minister of finance has institutionalized a culture of consulting with various sections of society to jointly review the implementation of the current budget and identify priorities for the upcoming fiscal year. On the other hand, however, there is little evidence suggesting that the abandoning of Joyce Banda’s ERP was based on any review of this program beyond the lack of will to continue with a flagship reform program of a president whose mandate had come to an end.
15 | Resource Efficiency

The looting of public resources – called “cashgate” in public – has revealed appalling incidents of waste and abuse of public resources, and the accumulation of personal wealth and property, which is not commensurate with salary scales for both junior and senior civil servants. The Mutharika administration has continued to pursue cashgate related cases, while at the same time, work towards strengthening the public finance management system. One remarkable effort to improve the efficient use of assets by the Peter Mutharika administration has been limiting the number of cabinet ministers to 20. Furthermore, a public service reform program was launched under the stewardship of the vice president, although it is too early to assess its results. With the devaluation of the local currency, however, the public wage bill has soared as civil servants have been awarded salary increases to avert a nationwide industrial strike.

The National Audit Office (NAO), which is a public body mandate to regularly audit the use of public finances, has a limited capacity to cope with demands, especially in the wake of the cashgate scandal. Furthermore, the Malawi Revenue Authority (MRA) has struggled to meet its own targets of revenue collection. It is expected that the newly launched electronic fiscal devices (EFD) project that makes mandatory for every Value Added Tax (VAT) taxpayer to procure, install and use EFD machines will improve MRA’s revenue collection capacity.

With the continuation of the MGDS II (2011 – 2016), the government is making efforts to coordinate conflicting objectives and interests. A Debt and Aid Coordination Department within the Ministry of Finance continues to play an important role. The merging of the Ministry of Economic Planning and Development with the Ministry of Finance (to become Ministry of Finance, Economic Planning and Development) has further improved coordination within the government organization. In addition, the Sector Working Groups (SWGs) that were introduced by the office of the president and cabinet (OPC) in 2008 have further been institutionalized. For instance, the democratic governance not only has a policy framework paper (PFP) that was adopted in 2010, but also a sector strategy (adopted in 2012).

While opportunities to coordinate conflicting priorities into a coherent policy regulating framework are there, there is still need for an effective executive leadership with an efficient, disciplined and committed public service as well as a cordial working relationship with and support from international cooperating donor partners.
The government continues to take positive and formal steps to contain corruption manifested in a number of institutions, laws, policies and strategies, including a National Anti-Corruption Strategy. Furthermore, a National Integrity Committee has also been established. An independent Anti-Corruption Bureau (ACB) is in place and is pursuing a number of cases. In general, the ACB has failed mainly because of political influence, a limited mandate, insufficient financing and under-staffing. In December 2014, the government closed the ACB due to a conflict over salaries with the judicial staff. Investigations into some high-level cases have been stalled. In addition, the future of the case involving the former president, Bakili Muluzi, for instance, is now in limbo. Coincidentally, former President Muluzi today enjoys a fraternal relationship with President Peter Mutharika and Muluzi’s son, Atupele, is serving in the cabinet of Peter Mutharika. The office the director of declarations of assets is now operational and is expected to play a vital role in fighting corruption.

Another challenge in the fight against corruption in Malawi is the lack of laws whatsoever governing private financing of political parties or the disclosure of funding sources. Thus, while in principle citizens and the media have a right to access information, it is limited by structural constraints ranging from a culture of secrecy to a lack of response from public officers. A bill on access to information has yet to be passed by parliament.

16 | Consensus-Building

Malawi’s constitutional framework lays the foundation for and is the basis of national consensus on both democracy and a market economy. However, while there is a basic consensus on the principles of democracy and a market economy, this consensus tends to be challenged and is called into question whenever private interests are affected.

The laws of Malawi provide for a market-led economy. Section 13 N of the republican constitution allows Malawi to adopt a neo-liberal economic and monetary policy framework. The four administrations within the multiparty democracy in Malawi have tended to explicitly agree on such matters. However, it was Bingu wa Mutharika, leader of DPP, who started demanding a home-grown economic and monetary policy framework consistent with the local conditions of the country before going full throttle on neo-liberal and market-oriented dynamics. However, this national leadership reform (or reversal) call was a recipe for huge negative reactions from Malawi’s multilateral and bilateral cooperating partners, exemplified by the withdrawal of aid and budget support even derailment of credit facilities. The Malawi economy was crushing on its knees on the road to 2012. This means that national leaders have agreed on a market economy and its attendant demands in so far as they maintain donor cooperation, since Malawi still needs donors for its economic transformation. But it also shows that given the space and freedom, Malawian leaders would deviate from the international institution’s prescriptions into a hybrid market and social model.
In Malawi, there are no anti-democratic veto powers. Of course, there is a danger that if left unchecked, some political actors may regress and resort to anti-democratic practices. The commission inquiring into the death of President Mutharika, for instance, revealed that senior DPP leaders had tried to circumvent the constitution by barring Vice President Joyce Banda from the presidency. There are patrimonial and undemocratic leanings across all political parties, especially with respect to leadership succession, party management and transparency and accountability of party resources.

Political leaders throughout different administrations have sometimes shown commitment to national interest and have been given a national support, as in the case of Bingu wa Mutharika before and during the 2009 general elections. However, some politicians have tended to exacerbate political conflicts based on ethnic and regional cleavages if they are profiting from the impact of such conflicts. Sometimes it has taken other stakeholders such as faith leaders, CSOs and donor partners to mediate over national challenges arising from the failure of political leaders to balance national and narrow aspirations. For instance, current calls for the introduction of a federal system of government can be linked to the failure by both the MCP and PP to win the presidency in the May 2014 elections, resulting in these parties feeling excluded. It is very unlikely that if the same parties would have advocated for this political reform agenda that they would have won the elections.

The political leadership and civil society, particularly those in the governance sector, tend to have a cat-and-mouse relationship. Laws regulating the operation of CSOs are established (but also limited and inconsistent with the republican constitutional provisions), but government officials consider CSO political participation highly suspicious. CSOs are sometimes even seen as agents of foreign governments with a foreign agenda rather than a local one. Party politicians perceive CSOs as competitors for political power. However, there is a broad spectrum of CSO activity. If they were allowed to engage, this would have important political participation implications that Malawian CSOs can capitalize on. Their hindering factor in this sense is the limited capacity and lack of resources of many CSOs, and in some circumstances, political intimidation by politicians.

There are currently no legally established mechanisms to bring about reconciliation between victims and perpetrators of past injustices. Politicians themselves have shown less zeal to such commitments unless they see a political benefit to settling with their opponent.

One explanation may be the fact that most political figures in the post-1994 era held influential positions during the one-party era. Similarly, numerous senior leaders in the UDF who had come from the MCP administration defected to the DPP, and then to the PP after the sudden death of President Mutharika. The sustained control of political levers by “recycled” politicians across the different political regimes should therefore partly explain the limited political will to investigate perpetrators of past atrocities and recompense victims accordingly.
The country is highly dependent on foreign aid, which contributes approximately 40% of the annual budget. According to the World Bank, aid per capita stands at $69 for the period from 2011 to 2015. With the preponderance of donor influence setting a prerequisite for continued donor support for most developmental programs in Malawi, political leadership in Malawi has engaged and sought support of international partners for the development of long-term strategies like Malawi Vision 2020, MGDS I and II, and the PP-drawn ERP.

The different Malawian governments have only partially remained a credible and reliable partner in their relations with the international community. The perception of donors is affected by local leaders who violate the socio-economic and political rights of citizens. This was the case when Bakili Muluzi demanded a third presidential term from 2001 to 2003 and when Bingu wa Mutharika chased the British High Commissioner from Malawi, claiming a leaked cable from the High Commission to the U.K. government had tarnished the image of the president in 2011.

The cashgate scandal of abusing public funds was an alarm, which led to the suspension of budget support by donor partners. This can serve as an indicator that the Malawi government fell short of sustaining its credibility and trust before its foreign development partners. Donors regularly criticize the extent of corruption and mismanagement of public funds and donor support.

Malawi continues to enjoy good relationships with most countries in Southern Africa. Few cases of citizen border complications can be noted with Mozambique, Tanzania and Zambia. But these tensions only have minor effects on the bilateral country relations. The country’s politicians therefore have valued and committed their needs to the good neighborliness with the countries in the region. Malawi is a member in the Southern African Development Community (SADC).
Strategic Outlook

The future of Malawi politics is uncertain in the sense of direction and perspective. After the May 2014 tripartite elections and the re-emergence of the DPP into the leadership, there is a division in the attitudes of citizens, cooperating partners and development partners. Some still believe that the DPP of Bingu wa Mutharika was intolerant to criticism and that citizens’ freedom of expression is not yet gone. As such, they find it very difficult to trust the current DPP government led by Peter Mutharika, the younger brother of Bingu. There are serious doubts whether the Peter Mutharika administration will conduct thorough investigations into the alleged cashgate practices of the Bingu era, a necessity that both civic groups and donors have pressed on the current DPP regime. The other sections of society have adopted a “wait and see” attitude to assess whether Peter Mutharika’s DPP will be the same as his brother’s in terms of style of leadership.

It is, however, discernible that cynicism and discontent among civic groups and opposition parties will blend with the accusation of a “stolen” 2014 election advanced by the main opposition party, the MCP. This lends weight to questioned legitimacy of the current DPP government as compared to the overwhelming national support given to Bingu prior to and after the 2009 elections. The 2014 Afrobarometer survey shows a modest trust in opposition parties by Malawians as opposed to the party in government. On the other hand, it is unlikely that donors will resume budget support as long as there is no impressive reform in the public finance management system and a simultaneous speedy conclusion to the court cases.

With these different schools of thought, it is currently difficult to build consensus on what to expect in the next few years. Largely, Malawians can only depend on the promises and good will that the current administration has shown in not being eccentric and not clamping down on human rights defenders.

However, the DPP-led government is already building an alliance with an opposition UDF party, a party that only got 14 members of parliament against DPP’s 50 members of parliament in the preceding elections. Yet a post-election alliance concerns many people, particularly as to the rationale and intention, especially considering that the two parties come from the southern region of Malawi, which is populous and may imply the cementation of regional politics, and is often a panacea for politics of marginalization and politicization of development processes in Malawi. Others think that the leader of the UDF party will be given a second vice president position and some of his party leaders will be included in the cabinet, a development, which if it is fulfilled, will bloat the number of cabinet members from 20, as was promised by the DPP during campaigns and has continued until today.

However, the strength of parliament in oversight and its proactive role in engaging the executive on national issues is promising for the promotion of transparent and accountable governance in
Malawi. This will ensure that checks and balances on the excesses of the executive are properly regulated.

The relationship between the current President Peter Mutharika and the preceding President Joyce Banda will also influence the political dynamics of the country. It was during the Joyce Banda era that the looting of public finances from the government, dubbed “cashgate,” was initially discovered through the attempted murder of the government’s budget director Paul Mphwiyo. The court cases and investigations have some connections with the former president, who has been in the United States since September 2014. She is allegedly afraid of being “harassed” by the state apparatus since she feels that the current government has an interest in linking her to the looting of public resources that happened during her term of office.

The calls for a federal type of government in Malawi will continue to affect the national discourse on national cohesion, development and governance processes. The way the state will provide citizens platforms for national dialogue will determine whether bridges of peace and dialogue can be established to sustain an environment for the delivery of public services to citizens across the country. A healthy debate on reasons for federalism as opposed to the current unitary system of government will have to be tackled honestly to avoid further polarizing the country into numerous political blocks.

However, at the end of 2014 Malawi encountered huge flooding that washed away large hectares of crops and forests. A lot of infrastructural developments like roads, bridges, schools and villages were washed away, leaving behind destitute communities, impassable villages, and loss of crops and property. The state president’s declaration a state of disaster while others including the opposition parties were calling for declaration of state of emergency shows how devastating this year’s rainfall has been to most Malawians. It means that Malawi will need to invest hugely in food production and winter agricultural production by providing seeds and fertilizer to smallholder farmers. Such an investment will take away essential resources that would have been used in other public service sectors such as education, health and water. Consequently, Malawi’s economy (donor support withdraw notwithstanding) will shrink further, negatively impacting the livelihood of the most vulnerable and poor households, which make up over 90% of the population.

The Malawi government needs to find mitigating measures for the potential shock caused by the looming drought that will follow immediately after the devastating floods. In this case, the economic and monitory reforms that are required to bring back donor confidence must be expedited at the risk of Malawi becoming a “failed state” that cannot provide its citizens with basic services for survival. The odds for this occurring are high.
It is against this background that the Malawi of today is characterized by:

- Excessive powers in the executive with no reforms visible yet.
- Malawians who depend on the good will of political leadership and not on legal and policy provisions to guarantee their civil and political freedoms while not overlooking their socio-economic rights.
- The looting of public resources, which has resulted in cooperating partners holding or rechanneling their resources from the government until concrete financial management reforms are put into place and confidence is secured.
- Climate change that seriously impacts poor people, as there are erratic rains with strong winds and drought that affect rain-irrigated agricultural production. Already over 10 districts across the country will soon be affected by hunger and they will need food relief following devastating floods.
- A government that is trying to boost the extractive industries sector through increased mineral exploration and provision of licenses to mining companies against a background of a weak, sometimes contradictory and inconsistent legal and institutional framework that cannot effectively regulate the emerging extractive industries.
- A government that still battles the impact of HIV and AIDS, as it affects the whole social fabric as well as macro and micro development.
- The impact of a fast-growing population on fast-depleting natural resources like trees, soil and water is visible, leading to incorrect coping mechanisms that further aggravate environment sustainability.
- A youth population that is increasingly skeptical of the regime and frustrated by the lack of employment opportunities as the labor market is shrinking yet more graduate from various schools each year.

While there is a new government that will last for the next five years, the challenges highlighted above might derail the development agenda of the government from a long-term and sustainable approach to only short-term and ad hoc approaches. As such, the DPP government may be motivated to engage in an ongoing campaign as if 2019 elections are approaching, and in so doing allow hand to mouth politics and political compensation to take a toll. It will, however, be important and strategic for the government to deal with the policy direction and interventions that will mitigate the negative impact of climate change, and in one form or another, sustain the long-term dreams that Malawians have cherished. This was especially apparent when Malawians were going into their 2014 elections in general agreement that 50 years after independence from British colonial rule, Malawi had not yet reached its full potential and destiny. There are, therefore, political and economic challenges and natural shocks that will define the strategic direction of Malawi in the next few years.