



# Inequality in Malawi

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## Introduction

In the past three decades Malawi has had varied inequality measures, with the highest being a Gini Coefficient<sup>1</sup> measure of 0.62, reflecting profound inequities in access to assets, services and opportunities across the population. Supporting the high levels of inequality are the alarming poverty levels in the country with varied proportions; the highest in rural areas of the southernmost and northernmost parts of the country. The central region is relatively less poor and so are the urban areas. Income measures of poverty indicate that more than half of the population (52 percent)<sup>2</sup> lives below the poverty line and about one fifth (22 percent) is living in ultra-poverty.<sup>3</sup>

This chapter looks at the structural causes of inequality in Malawi as well as its economic and social aspects. It further contextualises inequality from the pre-colonial era to the present, capturing the key role of the state in tackling related issues and advancing the rights and welfare of the people.

## Malawi: General Context

Malawi is a small land-locked country in Southern Africa, with approximately 47,000 sq miles of land with a total length of about 540 miles and a maximum width of about 150 miles. About a fifth of the total surface area is covered by bodies of water. Malawi is bordered by Tanzania to the North, Mozambique to the East and South and Zambia to the West. Topographically, it is a land of great contrasts with valleys and mountains rising to a height of 10,000 feet and much of the land being highland plateau between 4,500 and 8,000 feet. The country is divided into four major physiographic zones: The highlands of Mulanje, Zomba and Dedza in the southern part of the country; the plateau of the central and northern regions; the rift valley escarpment; and the rift valley plains along the shores of Lake Malawi, the Upper Shire and Lower Shire Valleys.

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1 *Gini Coefficient is a standard measure of inequality and can take a value from 0 (perfect equality) to 1 (perfect inequality).*

2 *Integrated Household Survey 2, 2004-5.*

3 *However, it should be noted that when accounting for purchasing power parity of \$1 per day, the poverty line in 2005 was calculated at 28%.*

The country has four lakes: Malawi, Malombe, Chiuta and Chilwa. The largest of the four, Lake Malawi is estimated at 3,000 square miles, accounting for 8% of the total land mass of the country. The lake is quite accessible to most of the country since it runs along two thirds of the country and about 365 miles. The other three lakes are in the Southern Region.

Water, per se, is a very important resource to Malawi in terms of food security, transportation, tourism, and energy. Lake Malawi and the other lakes have been a source of much-needed protein, providing as much as 60 to 70 percent of animal protein intake for the population. The lake also provides a means of livelihood for thousands of people through the fishing industry, including boat building, net making, fishing flies manufacturing and fish trading. The lake is also a means of communication from north to south. Approximately 40,000 tonnes of freight and 200,000 passengers are transported on the lake between the South and North and to various islands on the lake. The main river outlet of Lake Malawi, Shire River, runs 250 miles into the Mozambique-Malawi border and into the Zambezi River, providing transport and fish for the settlers for a long time. A barrage was also built along the river, providing a source of hydro-electric power.

With a population of about 14 million, Malawi is one of the most densely populated countries in Africa with about 80% of this number living in the rural areas. The population growth has been high. In 1987, the population was estimated at just over 7 million, but by 2000 the population had increased to 10 million. Since independence in 1964, the population has almost tripled, from 4.4 million, despite the scourge of HIV/AIDS that has ravaged the country.

Economically, the country is amongst the least developed countries (LDC) grouping in the world and ranked 164 out of 177 countries on the 2007/8 UNDP Human Development Index. Agriculture is not only the backbone of Malawi's economy but also an essential part of its social fabric, accounting for about 36% of GDP; 90% of foreign exchange earnings (tobacco 65%, sugar 11% and tea 10%) and employing 87% of the population. Despite the water-resource endowment, agricultural productivity is generally low, primarily due to overdependence on rain-fed agriculture, declining soil fertility, diminishing average land-holding sizes due to population pressures and a lack of inputs. The majority of smallholders practice subsistence agriculture rather than considering farming as a business. The status quo is exacerbated by weak links to profitable or competitive markets for farm produce and inputs and limited access to extension services, land and credit.

### Ethnicity and Stratification

The people of Malawi are divided by ethnicity. However, Malawi's ethnic mix is not varied by African standards. In 1966, the two largest ethnic groups, the Chewa and Nyanja constituted more than 40 percent of the Malawi population while the rest of the population was made up of other ethnic groups (see table 1.1)<sup>44</sup>. Most groups rely on agriculture as their main source of livelihood although among some ethnic groups (for example, the Tonga and Khonde) fishing and herding are most important.

Most ethnic groups are polygamous and have strong matrilineal clans and matrilineal inheritance but the groups from the northern parts of the country have patrilineal clans and inheritance (Pryor, 1990). In most (but not in all) ethnic groups, a newly married couple lives with the wife's relatives or the husband's matrilineal relatives, and this has a lot of implications in inheritance when the husband dies. Both the patrilineal and matrilineal systems have massive influence in the gender inequality as will be noted in section 3. The traditional communities among the different ethnic groups also vary in structure and size.

Among the immigrants, the British nationals and other Europeans constituted less than 0.2 percent of the population soon after independence, while the Asians (mostly Indians) constituted slightly more than the Europeans, having been brought by the Europeans as soldiers during the World Wars. Indians now dominate in the trading industry, mostly in the urban areas. Even though the Indians' trading contributes to the formal sector, most of the Malawians employed by the Indian traders earn meager salaries and are part of the urban population living below the poverty line.

Apart from ethnicity, the country has a clear division between the formal and informal economy. The formal sector accounts for about 20% of the population and is mainly found in the urban areas. The effects of this stratification on poverty and efforts to reduce inequality are covered in section 4.

**Table 1.1 - Ethnic Groups 1966, Malawi (Percent)**

Group	Population
Chewa	28.3

<sup>44</sup> See Fredrick Pryor (1990). *The Political Economy of Poverty, Equity and Growth: Malawi and Madagascar. A World Bank Comparative Study*, Oxford Press, pg 24

<b>Group</b>	<b>Population</b>
<b>Nyanja</b>	15.3
<b>Lomwe</b>	11.8
<b>Yao</b>	11.2
<b>Ngoni</b>	9.0
<b>Tumbuka</b>	7.4
<b>Sena</b>	2.8
<b>Tonga</b>	2.0
<b>Other</b>	12.2
<b>Total</b>	100.0

*Source: Pryor (1990)*

In terms of languages, Malawi's ethnic groups have distinctive languages and inhabit different parts of the country. The largest groups speak Chewa and Nyanja and live predominantly in the Central and Southern region. Some 10% speak Yao and live in the Southern region while some 9.5% speak Tumbuka and live in the Northern region. Sena (2.7%) and Lomwe (2.4%) are spoken in the Southern region. A small group, the Tonga, represents some 1.7% of the population and lives in part of the Northern region. There are a few thousand Europeans, mainly of British origin, including descendants of Scottish missionaries. There are also small numbers of Portuguese and Asians (mainly Indians) who are found mainly in the cities, while persons of mixed ancestry constitute a small minority<sup>5</sup>.

<sup>5</sup> *Nadin Patel et al. 2007. Consolidating Democracy in Southern Africa: Malawi. EISA Research Report No 33. Johannesburg, R.S.A. Page 2*

## **Socio-Economic History**

Malawi's policies that have shaped the economy have changed a lot over time. A country that became a British colony in the late 19<sup>th</sup> Century, Malawi can be classified as having had three key economic epochs: the pre-colonial era (prior to 1893), the colonial era (between 1893 and 1964) and the era of independence (from 1964 onwards). The independent era has a number of phases that have had different implications on inequality. The pre-colonial era has undefined time limits since it can go to as far back as the 10<sup>th</sup> century or even earlier. However, due to scanty information about the early periods, this study only covers the early and mid 19<sup>th</sup> century when referring to the pre-colonial era.

During the pre-colonial era, the economy was dominated by agriculture, the iron industry, salt-making and cloth production. During the colonial era, there were quite a few changes that the British settlers introduced especially in agriculture and the export of labour since only negligible mineral deposits were found (Sindima 2002). After independence, several policies have been tried to improve the economy, emphasising agriculture, manufacturing, eco-tourism, and an attempt to search for available minerals. Because of different political structures, these policies shall be looked at in line with the political phases. After over 40 years of independence, the country is still not self-reliant, and poverty is still widespread. Above all, the difference between the rich and the poor is still huge. The detailed effects of the policies pursued after independence to the present time are covered in detail in sections 2 and 3.

The main aim of this section is to analyse the changes over time in order to identify the root causes of inequality in structural terms; as well as to look at the various factors that have contributed to inequality, especially economic, social and political aspects.

### **Pre-colonial Era**

According to findings from archaeological studies, the original inhabitants of Malawi were called the Akafula or Bathwa, who were short-statured in appearance (Sindima, 2002). The Akafula name was the description of what they did best, smelting (kufula means to smelt in Chewa or Nyanja). However, the artefacts found in the excavation sites – grindstones, mullers, pestles and mortars – suggest that the people depended on vegetable foods and grains, perhaps sorghum, which seems to have been indigenous to the region. Apart from melting, evidence also shows that they were hunters who used arrows tipped with an iron point.

It is believed that the Akafula were displaced by, or intermarried with the Karangas, a group of inhabitants who were moving from the north to the south.

The Karangas, unlike the Kafulas, were taller and they were farmers. According to Parchai (1973), “the Karangas, as farmers, had a more settled existence and lived in villages; evidence of their earliest village sites is found in grooves which exist in boulders and on hard rock where they grounded their grain”. The Maravi later on came in and joined the Karangas, entering the North and settling in the Northern Region.

In the nineteenth century, more groups of people came to settle in the region, some from the southern parts of Africa, called the Ngoni; and from the other side of the lake, in the region south east of the lake, came the Yao. The Lomwe entered the country in the late nineteenth century, fleeing from the harsh treatment of the Portuguese<sup>6</sup>. They settled in the Shire Highlands and were mostly employed by Europeans working in the estates.

### Occupation of the Pre-Colonial Malawi

Farming and gathering was the main occupation in pre-colonial Malawi, but later specialised skills developed as people engaged in working with iron, making cloth, and salt production<sup>7</sup>. Iron production was quite dominant because the inhabitants needed farming and domestic implements, such as hoes, axes, knives. Apart from domestic implements, these iron materials were needed for hunting and fishing.

The iron industry was highly developed in some parts of the country, such as Kasungu. High quality iron products were sold in the local area, in others the ore was mined and smelted to produce various items and sent to distant places in exchange for other items. Europeans visiting the area in the sixteenth through to nineteenth century found Malawians trading in such iron products. Livingstone, Gamitto (1891) and Barretto (1896) attest on the quality of such iron products as “polished as those brought in from Europe”.

Apart from iron production, the cloth from Maravi (called Machira) was very popular in the region. The cloth “industry” was dominated by Southern Malawi, and the Malawians from the central region entered the cloth-making industry in the nineteenth century. The abundant larger and soft cloth brought in by the Portuguese and Arabs eventually killed the industry.

Salt-making was another industry that thrived in the country during the pre-colonial era. This was carried out around Lake Chilwa, Uper Shire Valley, Kasungu plains in the Centre, and the Henga Valley in the North. This industry

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<sup>6</sup> Harvey Sindima, *Malawi's First Republic: An Economic and Political Analysis*, University Press of America, 2002. Page 9.

<sup>7</sup> *Ibid.*, pg 9

was dominated by women, and usually more pronounced soon after harvest time (Sindima, 2002).

Economic activities seemed to be very well spread across the country. However, the literature is quite shallow on the inequality levels of the country. Despite the literature limitations, it is very clear that there was some diversification on the activities. While some areas concentrated on farming, others specialised in iron production, and some in cloth-making; and with a good possibility of inter-area trade taking place. The levels of poverty were only determined much later in the colonial era. The major development that helped create and contribute to inequality, as will be clearly noted in the next section is the arrival of the European settlers who embarked on large-scale farming and plantations in order to export cash crops.

### Colonial Era and Inequality

Malawi's colonial era dates back to when David Livingstone came to Malawi and called it Nyasaland in 1859. The British declared it a protectorate, thereby confirming the name Nyasaland in 1891 (Sindima, 2002). Economically, the establishment of the British Protectorate in 1891 marked a new stage in the participation of societies within Malawi in international markets. Three sub-economies emerged with the formalising of the protectorate: plantation or estate economy, followed by the peasant cash-cropping economy and then the labour reserve economy<sup>8</sup>.

Before the First World War, a two-tier agricultural economic structure was put in place: the settler scheme producing cash crops such as coffee, tobacco and tea, and the small-scale Malawian subsistence farming growing cotton and tobacco for export. The subsistence economy also served as a labour reserve for domestic estates and also for commercial (white-owned) farms and mines in Southern Africa.

The colonialists paid little attention to the overall development of the country. Even though some two medium-term plans were produced, nothing substantial in terms of infrastructure development happened. The reasons for low investment in infrastructure was that Britain saw no strategic reason for putting money into the country, and that the protectorate administration was directed towards the running of the administration, and in supporting the Empire's military campaigns abroad. Even in agriculture, which was considered the economic base, the Government did

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<sup>8</sup> Kydd, Jonathan, and R. E. Christiansen, "Structural change and trends in equity in the Malawian Economy, 1964-1980," Working Paper No. 2 (University of Malawi: Income Distribution Project. Centre for Social Research, 1981b).

little to develop smallholder output, instead it was more interested in enforcing land conservation methods by fines and, or crop destruction.

The settlers, and the British Government did not invest much in manufacturing, and did little to encourage it. Even a central bank was never established, making Malawi closed in terms of external trade. One of the reasons for such neglect stems from the fact that Malawi's inclusion in the protectorate was merely to protect British subjects – missionaries, traders and settlers. It was actually the missionaries' continued pleas for protection that led their home mission boards to request their representatives at Westminster to exert pressure on their government to take over Malawi. The Church of Scotland obtained 10,000 signatures of its clergy and elders in support of a British takeover of Malawi (Sindima, 2002).

### **Inequality during the colonial era**

The major issues that created and contributed to inequality were policies that dealt with labour laws by the Nyasaland Government for extensive farming which directly affected the peasant farmers. Three systems: the “thangata”, the “hut tax” and the “tenant”, all introduced before or around the 1920s, played a major role and complemented the land tenure system policy that expropriated land from the indigenous people or “natives” and gave it to the settlers. In the first two cases (thangata and hut tax), most Malawians were forced to move from their own land and become labourers, leading them into a poverty trap to the benefit of colonial land owners and mine owners.

### **Hut Tax**

Soon after the British took over Nyasaland as a colony in 1891, the Government introduced a hut tax to increase revenues for the colonial government. This tax was charged on every one who owned a hut, poor or rich. The tax was not a customary law, but it was portrayed as a customary practice by the British colonial governments. Most Malawians could not afford the hut tax. In the end, they had to work on the estates in order to afford paying the tax. If they defaulted and were caught, they would spend some months working to pay the tax and in most cases this was during the growing season. As a result, they would not produce for their own families and therefore would be subjected to the same treatment the following year.

### **Thangata System**

The Thangata System was a system in which land was exchanged for labour, and came into legislation in 1904. This complemented the hut tax. According to

legislation, workers were to be provided with land for settlement and cultivation - the “rent” on this land being one month’s labour per year in lieu of the hut tax, plus one month’s thangata labour paid at the current rate of tax (Pryor, 1990). In addition, a month’s hut tax labour could be stretched to six or eight weeks simply by withholding a signature from the tax certificate. Thangata agreements were informal and verbal and therefore not subject to government review. Thus, most estate owners had little difficulty in extending the actual labour service to 4 or 5 months, thereby exploiting Malawian workers and widening the income gap.

### **Tenant System**

The visiting tenant system was started as early as 1920 and it is still in existence today. This is a share-cropping system, whereby tenants grow crops (primarily burley tobacco) for a season (four to six months), sell the crop to the land owner, and then return to their homes elsewhere. The land owner has an option of renewing the contract or not. In most cases, the landowners weed out inefficient tenant farmers. In this system the tenants supply housing and food for themselves and their families, receive technical advice and credit for any necessary equipment, and sometimes earn supplementary wages working on the estate.

The tenant system looked more like thangata and appeared likely to be abolished around independence. However, pressure from new estate owners, who had taken over from the Europeans, prevented this. Clearly, most of the people benefitting from this system were the same people who were responsible for changing policies. The failure to abolish the tenant system facilitated the creation of a middle class of Malawians, and further pushed peasant farmers into poverty.

### **Pre-Independence Era (Federation of Rhodesia and Nyasaland)**

The pre-independence period (1950-1964), even though still within the colonial era, witnessed a slightly different approach. During this time, there was the formation of the Federation of Rhodesia and Nyasaland. This period can be described as the era of the united settler administration of the three countries<sup>9</sup>. While the British Government continued to run the countries, the real power holders and brokers were settlers in the territories who had now come together in one government – the federation.

The formation of the federation was heavily opposed by Africans from Malawi and Zambia, missionaries and even some dignitaries that had lived in the region. Apart from the chiefs in Malawi who spoke through Chief Mwase, Dr Kamuzu

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<sup>9</sup> *Sindima. Op Cit. pg 40.*

Banda and Harry Nkambule (then in the United Kingdom) wrote a memorandum against the federation. Some of the arguments emphasised the fact that the federation would not be in the best interests of Africans in Nyasaland and Northern Rhodesia, because:

- It would deprive the Africans of direct political and cultural ties with the United Kingdom and would mean discontinuation of the policy of deliberate tutelage for Africans;
- It would mean domination by Southern Rhodesia instead of guardianship by the United Kingdom, since by nature of her larger European population, the native policy of the federation would chiefly be determined by the attitude of the European settlers of that colony, which cannot be said to be favourable to African political, cultural and social development;
- It would extend to Nyasaland and Northern Rhodesia the policy of segregation and discrimination under which fellow Africans in Southern Rhodesia legally suffered special indignities and civil and political disabilities<sup>10</sup>.

Despite this opposition, the federation was established. The British Government gave clearance for the federation because it felt the federation would indeed boost the economic activity of Nyasaland, in particular, and lessen the British Government's obligations to the country. However, Nyasaland did not gain anything and the country was turned into a large reserve of cheap labour for the tobacco farms and mines in Southern and Northern Rhodesia. The short-term emigration was the only way out for those who ran into problems with the thangata and hut tax system. Thus the numbers of people leaving the country to work in mines increased steadily as can be seen in table 1.2.

The historical literature on Malawi contains considerable debate about whether such short-term emigration harmed or helped the country's economic development (Mhone, 2002). Many observers have argued that such an exodus of males not only reduced the work force available in Malawi but also greatly harmed the family structures. Others point out that the matrilineal family structure in many ethnic groups permitted a wife to live with her family during her husband's absence and that the men returned not only with money useful for taxes, a dowry or investment but also with some experience with the economic gains from wage labour, a certain cosmopolitanism, a certain tolerance for the customs of others, and some appreciation of the benefits that the outside world has to offer. Equally important, these men brought home receptiveness to ideas of nationalism that served to strengthen and broaden the base of the independence movement.

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<sup>10</sup> Sindima, Op Cit. pg 50

**Table 1.2 - Malawians Abroad as a Percentage of Estimated Defacto Population of Malawi**

Year	Percentage Abroad
1903	1.1
1911	2.5
1925	2.5
1938	6.8
1948	5.6
1958	6.2
1972	10.3

*Source: Kydd and Christiansen, 1982*

### Independence

As Malawi got her independence in 1964, the country found itself deeply entrenched in the periphery and in the least developed nations category, according to UN and World Bank reports. Per capita income was still very low. Although transportation links now included about 431 kilometers (268 miles) of paved roads and 470 kilometers (289 miles) of railroads, and other improvements had been made, few modern production techniques were used in manufacturing or agriculture. To obtain foreign exchange, the country was dependent on massive labour emigration and on the export of relatively few products such as tea, tobacco, and groundnuts. With few important sources of internal savings, Malawi, like many other low-income countries, depended on capital from abroad to increase its fixed capital stock. The level of education was low, and health conditions were appalling.

Among the resources available to deal with inequality was land. At independence, roughly 87 percent of Malawi's land was held as "customary land" (formerly called African Trust Land). Although this land was owned communally, the chief or headman, in consultation with elders of the community, assigned it

to individual families. These families had considerable security of tenure as long as they farmed the land, and few families were landless. Only 3 percent of the land was privately owned, and the remaining 10 percent was held as public lands (formerly called Crown Lands), which consisted largely of forests. No significant African landlord class held either freeholds or leaseholds, and almost all private estates were European-owned.

The new Prime Minister, Kamuzu Hastings Banda, who led an almost bloodless fight for the country to win independence, using good political networks, was not pessimistic about Malawi's capabilities. He looked forward to a good agricultural production that would turn around the country. On the political side, as will be noted later in detail, the approach taken drifted into an authoritarian type of government with one party having overall power hence creating an elite group surrounding the president. This failed to address inequality problems since the poor had little power to effect change.

Not much different from the first government (in terms of addressing inequality) was Muluzi's government that came to power when the country opted for a multi-party system 30 years later. Freedom from the 30-year autocratic rule came with some economic costs; there seemed to be no clear long-term vision of a development strategy, and policy was comparatively ad hoc. Muluzi initially developed a patronage network amongst those who had been excluded from Banda's circle (later, people who had been close to Banda joined it). They sought business opportunities and their policies seemed to have been dictated more than Banda's were, by the desire for personal gain. That is, key policies were adopted simply to facilitate the granting of patronage.

### **Local Elite**

Looking at the socio-economic history, all the ills leading to poverty and inequality point to the colonialists. One may ask what happened to indigenous structures that the colonialists found. Initially, local indigenous political structures were preserved and allowed to carry out most of their functions relating to customary law. Thus in the early years of colonial rule, local rulers were still powerful and they were able to protect their political structures and system.

However, the British Government soon introduced policies to limit chiefs' powers to govern their societies. Chiefs lost their authority to sentence anyone to death. Crimes requiring a death penalty were given to the magistrate who applied British law to judge the merits of the case. Chiefs were also forced to stop recruiting young men to serve in their military. Chiefs were only allowed to rule in accordance with customary laws. However, in some cases, the British Government

introduced new laws and forced chiefs to pass them as customary laws; a good example is the hut tax already discussed earlier.

### **Summary**

Looking at the socio-economic history of Malawi, the roots of inequality are deeply entrenched in some policies introduced during the colonial era. Cases of agricultural policies have shown how the peasants had to be forcibly moved into cheap labour when they could have produced for their families. The resultant emigration led to social rupture on the one hand, and further inequality because of the higher incomes compared to the males that were locked in the thangata and hut tax arrears. The local leaders' power too was paralysed.

### **The post independence era**

Soon after Malawi became independent, agriculture continued dominating the economy, accounting for about 45 percent of GDP, whereas manufacturing accounted for 4.5 percent; industry as a whole accounted for 8.8% and services for 24% (Malawi Government, 1965). Over 90% of the country's labour force was engaged in agriculture. With such a large majority involved in agriculture, one would expect a fairly equitable distribution of resources. Unfortunately, this was not the case because most of the estates previously owned by Europeans were transferred to a Malawian elite, which is now the country's middle class, while the rest of Malawians continued to provide cheap labour, as well as performing "tenant" sharecropping. As an agriculture-based country, the land issue still remains one major factor in determining inequality in Malawi today.

The main primary concern at independence was to consolidate and restructure the economy. There were several development plans that were instituted; policies that focused on immediate outputs; and considerable infrastructure development which required a lot of support from outside. Most of these have played some role in improving the welfare of some people while at the same time making others worse off. In this section, we examine a number of factors that may have contributed to inequality during the post-independence era, starting with political governance.

### **Political Governance and Inequality**

From 1964 up to the early 1990s, the country had an autocratic government led by Kamuzu Banda who consolidated his authoritarian leadership system in two stages. The first was by adopting a new constitution for Malawi in 1966 through which the parliamentary and multiparty systems were abolished and a one-party state was formally established. In the second stage, Banda was declared president

for life of his party, the MCP in 1970 and in 1971 Banda was named life president of Malawi, exercising the powers of the executive state president, a position that he held until 1994.

Banda consistently argued that his approach was democratic, periodically allowing elections for members of Parliament, but created a situation where almost all decisions were taken by him. He had a clear and well-articulated long-term development vision for Malawi (not necessarily right but consistently documented and implemented). Policy was driven by this vision and patronage tended to follow from this policy. The vision consisted of estate sector, export-led growth. Patronage in implementation was limited to the upper echelons of politicians, the civil service and the military and did not require blatant corruption to implement. For example, Admarc, Press<sup>11</sup> and the two major commercial banks had interlocking Directorates and hence Admarc profits could go via the banks to the press and favoured politicians without fraud or corruption. Banda and his technocrats developed policies that could be used (not illegally, or necessarily corruptly, though perhaps immorally) to buy off classes/groups/regional loyalists such as estate lands, licences to grow export crops, bank loans, extension services, trips abroad, school fees, appointments, etc.

This approach resulted in some improvement to the peasantry, who were promised basics (food, clothes etc.) but were neither allowed to be part of the decision-making nor to learn how their standard of living compared to their neighbours. Banda developed a means of disseminating an ideology of development through the President's Annual Crop Inspection Tour, when he travelled the length of the country over many weeks, meeting farmers and inspecting their crop. That way people were made to feel that they were part of the development process.

Dr Banda clearly believed that Malawi's success would lie with export-oriented agriculture, especially tobacco. He himself owned tobacco farms and constantly stated that it was the duty of politicians and top civil servants to follow him and set an example to the country by becoming pioneering tobacco farmers. Consequently, resources were made available to them. Banks offered loans on favourable terms and land was annexed from smallholders. This made the gap between the poor and the rich increase and a certain class of elites created, thereby promoting inequality

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*11 ADMARC is an agricultural marketing board that was put in place to assist farmers in the rural areas to be able to sell their produce by not travelling long distances, and acquire inputs at good prices; while Press was a company formed by Dr Banda to take care of his investments. Press was later bailed out by government due to financial problems making it partly government-owned.*

### **Policy Focus During the Period 1964-1980**

Between 1962 and 1970, the Government prepared three development plans: the 1962-65 Development Plan; the 1965-69 Development Plan; and the 1968-70 development programme, called Development Policy 1 (Sindima, 2002). The first plan which was prepared after the 1961 election victory by the Malawi Congress Party (MCP) focussed on building the economic infrastructure of the country that had hitherto been neglected. In attempting to address inequality, the plan looked at the possibility of utilising the domestic market fully through commercialisation of the smallholder farming in order to generate income for the majority of the people.

The 1965-69 plan was a listing of the projects to be done and set the tone and direction for future development policy. The main emphasis was on physical infrastructure development and to deal with physical regional inequalities. Thus, the plan included the move of the capital from Zomba, in the Southern Region, to Lilongwe in the Central Region, building of the Lakeshore Road from the Southern Region to the Northern Region; and using the Nacala Railway line as an alternate to the Beira route; and the building of the University of Malawi.

This plan was followed by the 1971-80 plan which replaced the 1968-70 development programme. The 1971-80 plan constituted the first economic philosophy and framework for policy-making for the various government departments and agencies. It outlined and defined development objectives for a decade, articulating all projects and programmes to be undertaken by ministries, departments and statutory bodies. Just like the previous plan, the main emphasis was on agricultural productivity and looked at land and labour as the main resources available. This plan also looked at developing the manufacturing industry, and encouraging foreign capital investment.

### **Agricultural Policies and Inequality**

The agricultural development policy of the early post-independence government was geared largely toward the support of smallholder farmers. Thus, around the 1960s, nearly all government agricultural investments were allocated to smallholder agricultural development projects. While the primary goal may not really have been to deal with inequality, this was an excellent move in creating equality in the system.

However, in the late 1960s the Government started shifting support towards estate agriculture. This was against a background of wide inter-annual fluctuations in small holder tobacco production and two-year harvests of maize, the country's main staple food crop. These experiences raised doubts about the ability of smallholder

agriculture to generate economic growth, provide for food security, and sufficient government revenues for essential development investments.

At the expense of equality, the shift from smallholder to estate seemed to produce good macro-economic results as the country showed quite rapid economic growth – with an annual average rate of increase in GDP of over 5%, and over the whole period (1964-79), GDP per capita more than doubled. Most of this growth was based on agriculture and in the absence of a significant private sector in manufacturing or mining, the Government promoted an agricultural development strategy. Within the agriculture sub-sectors, the state agriculture grew at an annual average of over 10%, and the smallholders by around 3%.

The primary benefit from this accrued to the few estate owners who dominated the middle-income sector. The income distribution became highly unequal and worsening – in the late 1960s the top 10% of the population received over 50% of the national income. The Gini Coefficient, measuring the overall inequality in distribution, was 0.448 and increasing. What basically happened was that land, labour and profit were being squeezed out of the smallholder sector, further impoverishing the rural households whose land base was being eroded by population growth (Kydd et al (1982), Lele (1990) and Smale (1995)). Per capita grain production fell from 240 kg per person in 1964 to around 210 by 1979. The population had nearly doubled from 3.9 million in 1965, and there had not been much structural transformation away from agriculture.

### **Labour Market and Inequality**

Malawi, similar to most countries with an agrarian structure, has been experiencing an unemployment problem, otherwise termed as low labour absorption capacity. The main reason is historical structural factors that result in the exclusion and marginalisation of the majority of the labour force from engaging in productive activities (Mhone 2002). These factors have been attributed to the enclave and dualistic legacy of African economies. This legacy was initially a consequence of the fact that the formal sector emerged as an exogenous implant whose modus operandi was generally linked to external factors, thereby obviating the need for an internal accumulation and transformation process to emerge that would have captured the majority of the labour force into the capitalist process of accumulation. Mhone (2002) has further argued that the problem has persisted as a consequence of the uncritical acceptance of the “enclave” formal sector as the engine of growth. It was also the belief that trickle-down effects from formal sector growth would eventually absorb the rest of the labour force into productive activities.

As outlined before, Malawi embarked on an agrarian transformation that saw the country develop a viable but limited estate and small-scale agriculture based on tobacco and cotton farming. This strategy, pursued in the late 1960s and early 1970s, saw a marked proletarianisation of the rural labour force through what was initially a form of primary accumulation based on cheap labour. Formal sector agricultural employment increased markedly, but then reached its limit in terms of labour absorption as the country did not have an industrial strategy.

This was further reinforced by the exhaustion of fertile land for formal agriculture expansion. The abortive and one-sided transformation strategy in Malawi not only unravelling the rural economy without creating substitute employment opportunities, but it also resulted in a depressed economy which needed more than an export-oriented agricultural sector (or indeed a policy emphasising import substitution) to resuscitate itself. As a result, the economy has become increasingly informalised, with declining employment opportunities in the formal sector, further increasing inequality.

### **Structural Adjustment Programmes and Inequality**

The successful growth story of the early 60s obscured the long-term inequality problem for a while. The Government felt comfortable with the positive development until the economic crisis hit after 1979. A number of factors, mostly external, contributed to the crisis. First, there was the “oil shock”<sup>1212</sup> that affected most countries globally, and Malawi was not spared. This coincided with intensification of the Mozambican civil war that disrupted the railway line to Nacala. The Nacala route, by that time, carried the bulk of Malawi’s imports and exports. An estimate of the Ministry of Transport in 1985 suggested that the economic cost of transport diversion in 1983 was US\$30 million when the index of rail handling of imports and exports was 35% of that in 1980 (Economic Report 1985). The agricultural sector, for the first time performed badly due to bad weather. This forced the Government to import large quantities of maize for the first time since 1949/50.

Finding a solution to the crisis was difficult since most countries were going through some trade problems. The Bretton Woods Institutions (IMF and the World Bank) arrived and offered the structural adjustment package comprising a loan from the World Bank, if the country followed the prescriptions contained in the Structural Adjustment Programme (SAP). This programme and its impact

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*12 The oil shock started around 1973 and 1974 when the price of oil quadrupled, and between 1979 and 1980 the price doubled.*

has been a subject of much discourse since inception in most of the developing countries. The section below summarises the Malawi experience of the SAP.

### Understanding the Structural Adjustment Programmes

Simply defined, a Structural Adjustment Programme is a “package of economic and institutional measures designed to solve macro-economic problems in developing countries by reducing government intervention in the economy, correcting the borrowing country’s deficits and opening the country’s economy to the global market”<sup>13</sup>. The SAP works hand in hand with the Structural Adjustment Loan (SAL), defined as a “series of discrete lending operations...to provide quick disbursing balance-of-payments support to a country which is prepared both to formulate and to reach agreement with the [World] Bank on a structural adjustment programme.”<sup>14</sup>

In general terms, three categories of policies formed part of these IMF programmes: demand restraint; switching policies; and policies related to long-term supply or efficiency (William Lyakurwa, 1994). The aim of demand restraint policies was to curtail expenditure on imports and release resources for exports. Major policy instruments included: reduction in government expenditure and budget deficit; controls over money supply and credit creation; policies to cut real wages; and switching policies intended to shift resources from non-tradables to tradables by changing incentives. Policy instruments included: devaluation and exchange rate unification; changes in domestic prices especially in agriculture; and wage control. On the other hand, long-term supply policies were for raising the long-term efficiency of the economy by securing a more market-oriented economy subject to fewer restrictions and less segmentation.

Malawi went into a SAP agreement in 1981 after completing the IMF’s two-year stand-by arrangement<sup>15</sup>. During the SAP period, three Structural Adjustment Loans were given to the country from 1981 to 1988. Although the emphasis during the SAP was agricultural exports, each of the SAL came with its own conditionalities, outlining areas of reform, and changing the whole focus of Government plans drawn during the 1964-79 period. Some of the conditions that came with the SAPs were periodic adjustments of the exchange rate and interest rates, decontrol

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13 This definition has been taken from <http://www.new.towson.edu/polsci/ppp/sp97/imf/POLSAP1.HTM#Overview>.

14 Kydd and Herwitz, *op cit*, pg 349.

15 It should be noted here that the stand-by arrangement was not in any way a condition for the country to go into SAP agreement.

of industrial product prices, removal of fertiliser subsidy, and privatisation of state-owned enterprises.

The Enhanced Structural Adjustment Facility (ESAF) was created in 1987 with the basic intention to strengthen, substantially and in a sustainable manner, the balance of payments position and to foster growth. During the implementation of ESAF, the Government was forced to undertake a number of changes in different sectors. In agriculture, there was the halting of transferring of land from customary tenure to estates, an implementation of a SAP III conditionality of reversing the emphasis in estate farming. For the first time, peasants were legally allowed to grow burley tobacco on customary land, a cash crop which until then was reserved for estates. In foreign trade, for exports, there was a reduction of the scope for export licensing and the introduction of an export retention scheme, and in imports, relaxation of import controls. Perhaps, a major change under foreign trade was the relaxation of exchange control that came in 1994. Under the monetary policy, there was liberalisation of interest rates (1990), elimination of direct bank credit (1992), and opening of the financial market to new entrants (1990/91).

#### **PRGF and PRSP: Involvement of Malawian Society in Public Policy**

Directly taking over from ESAF, with some slight improvement, was the Poverty Reduction Growth Facility (PRGF) in 1999. The PRGF placed reduction of poverty as a key objective for IMF concessional lending to low-income countries. A major feature of the PRGF was the fact that it aimed at supporting programmes from country-owned and locally-generated Poverty Reduction Strategy Papers (PRSPs).

**Table: 2.1- Malawi: IMF Arrangements 1979-2004**

<b>Arrangement</b>	<b>Approval Date</b>	<b>Scheduled End Date</b>	<b>Actual End Date</b>	<b>Approved SDR (Millions)</b>	<b>Disbursed SDR (Millions)</b>
<b>SBA</b>	Oct' 1979	Dec' 1981	May' 1980	26.3	5.4
<b>SBA</b>	May' 1980	Mar' 1982	Mar' 1982	49.9	40.0
<b>SBA</b>	Aug' 1982	Aug' 1983	Aug' 1983	22.0	22.0
<b>EFF</b>	Sept' 1983	Sept' 1986	Aug' 1986	81.0	57.0

Arrangement	Approval Date	Scheduled End Date	Actual End Date	Approved SDR (Millions)	Disbursed SDR (Millions)
SBA	Mar' 1988	May' 1989	May' 1989	13.0	9.3
ESAF	Jul' 1988	Sep' 1992	Mar' 1994	67.0	67.0
SBA	Nov' 1994	Jun' 1995	Jun' 1995	15.0	12.7
ESAF	Oct' 1995	Dec' 1999	Dec' 1999	51.0	51.0
PRGF	Dec' 2000	Dec' 2003	Dec' 2003	45.1	12.9

*Source: Government of Malawi – Ministry of Finance*

### Box 2.1: US President's views on Washington Consensus

"Under the leadership of Washington, the International Monetary Fund, designed after World War II to serve as lender of last resort, has repeatedly forced countries in the midst of financial crisis like Indonesia, to go through painful adjustments (sharply raising interest rates, cutting government spending, eliminating subsidies to key industries) that cause enormous hardship to their people – harsh medicine that we Americans would have difficulty administering to ourselves.

"Another branch of the international financial system, the World Bank, has a reputation for funding large expensive projects that benefit high-priced consultants and well-connected local elites but do little for ordinary citizens – although it's these ordinary citizens who are left holding the bag when the loans come due."

*Quotes from Barack Obama. The Audacity of Hope, pp. 376 and 377.*

A key element of the 'country-ownership' in the PRSP formulation was that it was not simply government-owned, but developed in co-operation with other stakeholders, and particularly those directly affected by or working to address poverty. In that way, policy and planning processes were expected to be open to extensive participation by ordinary people and civil society groups. The PRSPs were meant to encourage the involvement of civil society in the formulation of public policies.

### SAPs Success/Failure and Implications on Inequality

The success of SAPs has been strongly contested. By looking at the basic economic indicators, Malawi was much worse-off after these programmes (see table 2.2 below). Such an outcome occurred not only in Malawi, as most of the Sub-Saharan African countries experienced such negative outcomes from the IMF/World Bank imposed programmes.

Thandika Mkandawire and Charles Soludo (1999) examined 30 case studies, each study appraising the performance of SAPs with respect to particular sectors or issues. They also evaluated the compatibility of the policies with the requirements for long-term development<sup>16</sup>. An analysis was undertaken by looking at the various policies under SAP from a perspective of development – broadly understood as involving economic growth, structural change and elimination of poverty. The common conclusion in all the reports was that adjustment has not worked as promised.

The health and education sectors indicators for Malawi during this period are presented in the tables and figures below.

**Table 2.2 Selected Macro-Economic Indicators for the 1971-80 and 1981-2000 periods**

Indicators	1971-1980 Period	1981-2000 Period
<b>Rate of Growth of Real GDP (% per annum)</b>	6.1	3.0
<b>Rate of Growth of Formal Sector Employment (% per annum)</b>	7.1	3.6
<b>Gross Domestic Savings/GDP (%)</b>	26.2	16.6
<b>Commercial Bank Prime Lending Rate (%)</b>	9.8	25.4
<b>Rate of Inflation</b>	9.5	24.4
<b>Current Account Deficit of the Balance of Payments/GDP (%)</b>	13.1	9.4

<sup>16</sup> This is summarized in the book, *Our Continent Our Future – African Perspectives on Structure Adjustment* by Thandika Mkandawire and Charles Soludo (1999).

Indicators	1971-1980 Period	1981-2000 Period
Broad Money/GDP (%)	16.8	17.2
Exchange Rate (Malawi Kwacha per US Dollar)	0.8	17.2
Budget Deficit Excluding Grants/GDP (%)	-7.3	-10.2
Budget Deficits Including Grants/GDP (%)	-5.3	-5.7

*Adopted from AFRODAD 2005 (Illegitimate Debts – The Case of Malawi)*

### The Health Sector

Similar to the economic indicators, the trends in health indicators showed some improvements in the 1970s but started declining after Malawi started implementing the SAPs. Table 2.3 below shows that the under-five mortality rates have been on the increase: 203 in 1977, 148 in 1987, 210 in 1998, and now at 234/1000 in 2004. Maternal mortality has also been on the increase – in 1996 it was 620 per 100,000 live births, and in 2000 it had reached 1120 (Demographic and Health Survey)<sup>17</sup>.

**Table 2.3 – Malawi Under-Five Mortality Rates, selected Years**

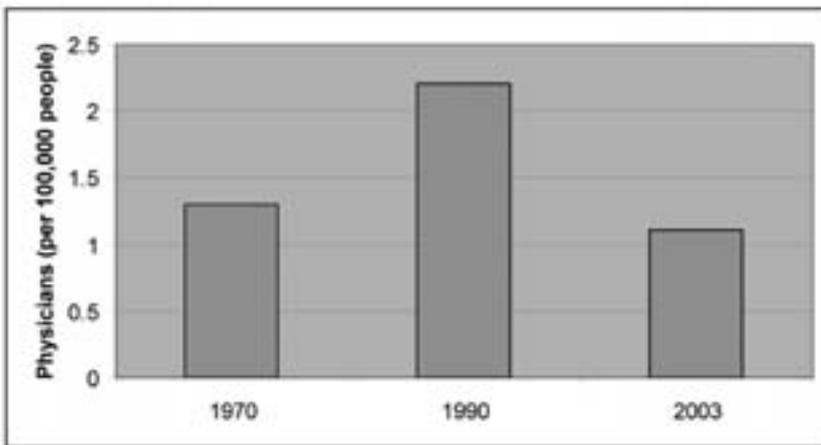
Year	Deaths per 1000 Births
1977	203
1987	148
1998	210
2004	234

*Source: Demographic and Health Survey*

<sup>17</sup> WHO Statistics (2004).

An important aspect to health development is the nutritional status of children as it allows evaluation of the susceptibility of the population to disease, impaired mental development, and early death. There has been little improvement in the height and weight of children under five since 1992. Children's nutritional status in the 2004 MDHS is virtually identical to the status in 1992 MDHS and 2000 MDHS. It is estimated that as many as 48 percent of children under five years of age in Malawi are stunted (too short for their age), and 22 percent are severely stunted. Five percent of children are wasted (or too thin), and 22 percent are underweight. These numbers are extremely high for the 21st century, and even for Sub-Saharan Africa, hence pose one of the biggest health challenges in Malawi.

Between 1980 and 2000, the infrastructure in the health sector has been deteriorating, hence leading to de-motivated staff working in this area. Consequently, most doctors and nurses have emigrated and are now working in the United Kingdom. According to a report in *The Lancet Journal* in 2004, "there are more Malawian Doctors residing in Manchester, England than in Malawi"<sup>18</sup>. Figure 2.1 below shows doctor-patient ratios in selected years, 1970, 1990 and 2003. The rate in 2003 is actually lower than that of 1970.



*Fig 2.1 Physicians per 100,000 people in Malawi, 1970, 1990, 2003*

<sup>18</sup> *ABC News: Doctor Shortage Hurts Global Health Goals, Nov 26, 2004*

*The life expectancy rate has also been decreasing, more sharply in the last 20 years, from 46 in 1987 to 37 in 2002. Some have attributed this to the spread of the HIV/AIDS epidemic though the deteriorating social indicators including the health sector have played a role as well.*

## **The Education Sector**

Good education is positively associated with improved productivity, higher incomes, lower fertility rates and improved nutrition and health, in addition to being a prerequisite for attaining these outcomes. After the SAP, statistics for secondary school education are worse. Of the 66 percent of children in the secondary school age (14 to 19 years) who were in school, only 22 percent were actually in secondary school, while the remainder were still in primary school, a probable explanation for the high Primary Gross Enrolment rate. The difference in secondary school enrolment rates is also very large between poor and non-poor students. About three times as many non-poor students as poor students are enrolled in secondary education and boys and girls from the richest groups are 10 times as likely to attend secondary school compared to those in the poorest group.

The primary education has had user fees from as far back as the colonial times, and they were maintained after the country attained independence in 1964. When the ERPs started (with SAP in early 1980s), this was never looked at as a deterrent to education for the deprived. In 1994, the Government introduced free primary education and the school enrolment doubled. Nevertheless, even though during that time the ERPs were running, no effort was made by the donors to immediately support the process. Infrastructure was not sufficient and there were not enough trained teachers. Consequently, the years after the introduction of free primary education has seen the worst quality education for Malawi.

Tertiary education poses the biggest challenge by far. Enrolment is very small (less than 1 percent of Malawi's population) and is associated almost exclusively with the households from the richest groups. Furthermore, of those enrolled in tertiary education, the vast majority live in urban areas.

Table 2.4 below shows some of the indicators in the education sector against the Education for All (EFA) targets. EFA is an international commitment first launched in Jomtien, Thailand in 1990 to bring the benefits of education to "every citizen in every society." Partners comprised a broad coalition of national governments, civil society groups, and development agencies. In response to slow progress over the decade, the commitment was reaffirmed in Dakar, Senegal in April 2000 and then again in September 2000. Malawi is one of the signatories to EFA.

**Table 2.4 Selected Malawi Education Sector Indicators vs EFA Targets**

	Malawi Indicators	EFA Targets
<b>Primary Completion Rate</b>	34-46%	52%
<b>Adult Literacy Rate</b>	National: 60.9%, Urban: 90.5%, Rural: 58.7%	100%
<b>Pupil to Qualified Teacher</b>	National: 60:1. Urban: 50:1, Rural: 88:1	40:1
<b>% of Pupils in Private Schools</b>	3.0	10
<b>Average Repetition Rate (in%)</b>	Girls: 16.4; Boys: 16.8	10
<b>Average Dropout Rate (in%)</b>	Girls 23; Boys: 21	9.0

*Source: NESP, 2006*

Although independent Malawi made some attempts to deal with poverty, most policies did little to reduce inequality. The international problems in the 1980s worsened the situation as the country became dependent on western donors, and most of the policies were imposed through SAPs. Rather than improving the social and economic indicators, these policies made things worse.

### **Current inequality challenges**

In this section we look at the last 15 years. It is from 1994 that the country took a different turn in politics, changing from a one-party regime to a multi-party system of government. The change was exciting to most Malawians who looked forward to an era with high expectations, among them an end to poverty.

Nevertheless, according to the most recent development strategy (released in 2006), the current status of poverty shows that 52 percent of the population still lives below the poverty line<sup>19</sup>, i.e. about 6.3 million Malawians are poor, with the poorest people in the Southern Region and rural areas poorer than urban ones

<sup>19</sup> *The data from the IHS2 is not directly comparable to the past poverty levels. A change in survey instruments and methodology required an effort to compute the poverty rates for the previous IHS using the current methodology. In this exercise, poverty estimates from IHS1 were estimated using regression models to impute expenditure per capita based on comparably measured household characteristics. The IHS1 poverty rates were calculated at 54%.*

(where poverty rates are at 25%). The poor still have low socio-economic indicators, with food security being a continuing threat to a better life. Other problems are the ability to integrate the poor into the economic infrastructure, and problems of malnutrition. Female-headed households are worse off and income inequality persists in Malawi, with the richest 10 percent of the population having a median per capita income that is eight times higher (MK50,373/US\$355 per person per annum) than the median per capita income of the poorest 10% (K6,370/US\$45 per person per annum).

In 2002, the Malawi Poverty Reduction Strategy Paper (MPRSP) stated that the richest 20 percent of the population consumed 46.3 percent while the poorest 20 percent consumed only 6.3 percent of the total reported consumption of goods and services. In urban areas, the richest 20 percent consumed 58.4 percent while the poorest 20 percent consumed only 4.5 percent.

The 2005 socio-economic indicators are not much different: the richest 10 percent of the population has a median per person income that is eight times higher than the median per person income of the poorest 10 percent. Moreover, the richest 10 percent of the population has a median income that is three times higher than the overall median income in the country. While the bottom 50 percent of the population accounts for only 25 percent of the total income, the richest 5 percent accounts for 20 percent of the total income. Urban areas have, by far, the greatest inequality but this is largely because most of the wealthiest households reside in urban areas, and not because of higher numbers of ultra-poor people.

The richest 10% comprise the elite in society that started benefitting soon after independence through transfers of estates from Europeans into their hands; they had access to modern jobs and were able to send their children to better schools. Most of them were involved in politics and had influence over certain policies, for example, the retaining of the tenant sharecropping policy so that they could still benefit from cheap labour. The poorest 10% comprise of peasant farmers who have had little or no benefits from the Government; they have little access to quality education or to health centres. These are mainly from rural areas where even the infrastructure is poorly developed, leading to little access to markets.

Table 3.1 below shows the Gini Co-efficient in the smallholder sector (mainly comprising the rural areas) and the urban areas, which look moderate compared to a number of countries in the region. A possible reason for the moderate Gini Coefficient is the subsistence nature of the economy. With over 80% involved in agriculture, and more especially subsistence farming, it is difficult to have the exact measures of income to have the right average Gini Coefficient.

**Table: 3.1 - Gini Coefficient for Selected Years, Malawi**

Year	Type	Gini Coefficient
1968-69	National	0.448
	Smallholders	0.203
	Urban	0.660
1984-85	National	0.60
	Smallholder	0.453
	Urban	0.621
1995	National	0.39
2004	National	0.39
	Rural	0.37
	Urban	0.57

*Source: Malawi NSO*

### Types of Inequality in Malawi

Apart from income inequality, there are clear indications that horizontal inequalities as well as gender-based inequality are prevalent in the country.

#### Horizontal Inequality

Horizontal inequalities (HIs) are inequalities between religious, ethnic or cultural groups. Such inequalities may occur in economic, social or political dimensions, and several studies have shown that such inequalities between identity groups tend to be associated with a higher risk of internal conflict (Gudrun Ostby, 2005). Economic HIs include inequalities in asset ownership, employment and other economic opportunities, leading to inequalities in incomes; Social HIs include

inequality in access to services, such as education, health and housing, associated with inequalities in health and educational outcomes. Political HIs consist of inequalities in the group distribution of political opportunities and power, including control over the presidency, the cabinet, the army, the police, and regional and local governments.

The rural areas in Malawi have mostly been affected by economic and social HIs. This is because there is a distinct difference between the rural areas and urban areas in terms of asset ownership, employment, education, health and housing. Most of these are not easily available to people living in the rural areas due to lesser infrastructural investment in rural areas. People in some parts of the urban areas may also not have access to them, but the extent of deprivation is not as high as in the rural areas. Fortunately, unlike other African countries, Malawi's extent of socio-economic horizontal inequalities has not yet reached the extent of provoking an internal conflict.

### **Gender-Based Inequality**

Malawi has been termed a patriarchal society with male dominance over women. Recent literature has condemned Malawi's cultural practices that have seen women economically suffering because of poor inheritance, marriage, and citizenship laws leading to property grabbing, domestic violence and poor representation of women at different levels. According to Seodi White, a Malawian Gender Activist "A widow does not inherit her husband's land unless she can produce a legal document showing joint ownership, or she must show she contributed financially to the upkeep of the property. Most women cannot do that. So in many cases, the husband's family simply occupies the land after he dies."<sup>20</sup>

In the 2004 elections women's representation in Parliament was only 14.6%, and in 2009, despite an aggressive 50/50 campaign, only about 20% of parliamentary seats were held by women. In secondary schools, girls only make up 23% of enrolments<sup>21</sup>. Furthermore, the gender-biased state policies favoured rural development and inhibited urban migration thereby placing limits on the economic opportunities of female-headed households. State policies determine that access to credit and extension services varies by gender. Finally, virtually exclusive domination of the cash economy, both formal and informal, by men and the relative lack of educational opportunities afforded to women further reduced the

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<sup>20</sup> *Voice of America News*, 6th March 2008.

<sup>21</sup> <http://www.citir.org> - *Progressio, Malawi Website*

alternatives available for women<sup>22</sup>. In a study undertaken in 1983-84 targeting over a million smallholders in Malawi, it was found that the male-headed households have higher incomes as shown in the table below. Furthermore, gender inequality is reflected in the disproportionate work burden that falls on girls and women, who undertake most of the home and farm work, emphasizing the patriarchal nature of the society.

**Table 3.2 Source of Income by Gender of Household Head in 1983-84**

Source of Income (in Malawi Kwacha)	Household Head	
	Male	Female
Gross Annual Income <sup>23</sup>	254	166
Cash Value of Crops	194	136
Cash value of Livestock Turnovers	23	13
Income from Remittances	7	9
In Cash	6	8
In Kind	1	2
Non-farming Income	19	8

*Source: Berbeid et al (2000)*

<sup>22</sup> Catherine White Berbeid and Marcial Segal (2000). *Controlling Less Land, Producing Less Food: The Fate of Female-Headed Households in Malawi*

<sup>23</sup> In 1983-84, the Malawi Kwacha was about MK3 to a United States Dollar.

#### <sup>24</sup>Regional Inequality

In a number of studies that have been undertaken in the country, poverty is found to be more prevalent in rural areas; and within rural areas, it is most prevalent in the southern region (60%). Poverty prevalence coincides with the pattern of population, with the large majority of both the general population and the poor located in rural areas. The southern region was found to have not only the highest prevalence of poverty but also the deepest poverty. The major reason for the high prevalence of poverty in the southern region is the high population density. Most of the people have very small land holding compared to the central region with only 44% of the poor and the northern region with about 54%.

Among cities, Lilongwe has the highest prevalence of poverty. Urban poverty does not follow the rural pattern as cities in the central and northern regions contain more extensive poverty than Blantyre and Zomba in the south. BOMAs or small towns that are administrative headquarters, have a pattern of poverty more similar to the rural distribution than the urban one. This could be due to the fact that the cities in the south came into existence much earlier and have a lot more industrial activities than the cities in the centre and north. Thus, most of the inhabitants of the cities in the southern region have a better chance of gaining employment than those in the other regions.

There are several factors that need to be taken into account in order to address the inequality and poverty problems. While agriculture has been emphasised over time, with the population ever increasing, there is a limit to the extent to which agriculture alone can address these problems. Other economic sectors outside agriculture have to be prioritised. Effective investments in people, improving basic services and developing some safety nets have been some of the areas that have been tackled in trying to deal with inequality and poverty. However, in certain instances, such measures have not really been sufficient, as will be discussed in the next section.

#### Factors Determining Current Inequality

It is important to be clear on the current determinants of inequality in order to determine the impact. In this section, a few areas have been singled out including: land and agricultural policies that have led to an increasing inequality among farmers in the post-Independence period; the rapid decline in the opportunities for migration which took place in the 1970's, as well as the whole notion of labour enclavity; the absence of proper social support among the most vulnerable, and

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<sup>24</sup> In 1983-84, the Malawi Kwacha was about MK3 to a United States Dollar.

poor targeting.

### **Land and Related Policies**

Poverty levels in different areas and at different levels give a good indication of inequality. Land in Malawi has been and will continue to be a determinant of poverty and inequality as long as the country is dependant on agriculture. Related to land are types of crops Malawians cultivate, dependency on maize as a staple food crop, participation in public works programmes, and local people's opportunities to get paid employment in estates (NEC, NSO and IFPRI, 2001; Mukherjee and Benson, 2003).

Among government policies, "wager-on-the-strong policy", where the Government tended to assist the smallholders that were strong as opposed to those that were not doing well, is one of the determining factors of inequality. More specifically, because of this policy only those smallholders with larger farms could apply the Government's technology package, primarily have access to credit, and sell their export crops at auction prices rather than the lower prices paid by the Agricultural Development and Marketing Corporation (ADMARC). Similar to this, the Government generally conducted its integrated development programmes in areas that were wealthier than average. These factors, though they had little or no influence on land distribution, differentially influenced production and income from smallholdings of various sizes (Pryor 1990).

### **Labour and Inequality – the case of the "Brain Drain"**

Malawi, which provided labour to the mining industries in Zimbabwe and South Africa has now tended to provide specialised medical staff to the Western world, a move that has been described as rich countries "looting" doctors and nurses from developing countries thereby undermining their health systems and public health. Indeed this has led to an already frail health sector sliding into a deep crisis as already elaborated in Section 2.4.2.

What is the implication for inequality? Other commentators have described this as an alternative to poverty alleviation for the vulnerable that benefits from remittances, which they would not have received if the relatives were in Malawi and earning low incomes. Unfortunately, data on remittances into Malawi is very limited hence it is not possible to measure the scale or impact of remittances from overseas workers, let alone the specific impact of remittances earned by skilled medical personnel working abroad. However, recent research has shown that international remittances are becoming one of the fastest growing and principle sources of foreign exchange for many least developed countries. Global remittances

to developing countries reached US\$ 160 billion in 2004, considerably larger than ODA flows (US\$ 79 billion) and almost equal to foreign direct investment flows to developing countries (US\$ 166 billion)<sup>25</sup>. In fact, remittances are almost certainly under reported by perhaps up to 50 percent, implying that the returns from international migration are the dominant form of financial flows into developing countries<sup>26</sup>.

#### **Political Governance – Multi Party Era and Inequality**

In 1994, Malawi adopted a multi-party system of government and President Muluzi's UDF took over from Banda. Instead of coming up with policies to promote equality, there was an increased desire for personal gain by the elite. Policy formulation, the passage of laws and the implementation of policy were constantly delayed to permit wealth and power to be acquired by UDF leaders. Abuse of laws and state resources served the same purpose. Unlike Banda, Muluzi never articulated a real vision – except poverty alleviation, which was soon mocked as “politicians’ poverty alleviation” while inequality persisted.

Perhaps, some achievement may come with the second government in the multi-party era, under Mutharika's Democracy for the People's Party (DPP) which has been ruling for the past five years. DPP, which came as an offshoot from Muluzi's UDF, took a bold step starting a targeted subsidy programme as one of its goals to achieve food security. During the past three years, complemented by good rains, Malawi produced a good food surplus, and was even able to supply maize to Zimbabwe. The challenge for the programme is coming up with measures to sustain the progress.

#### **Impact of Inequality**

According to development literature, the impact of inequality is vast, ranging from the overall growth of the economy to specific sectors. This section outlines some of these major issues. Most of these were identified during literature review but also during wide consultations within Malawi.

#### **Efficiency and Economic Growth**

There are two main arguments about the impact of inequality on efficiency and economic growth. The first is that, when combined with imperfect land and

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25 World Bank. *Global Economic Prospects*. Washington DC: World Bank 2006.

26 Richard Record and Abdu Mobiddin. *An Economic Perspective on Malawi Medical Brain Drain*. Globalisation and Health. 2006.

capital markets, high inequalities in income and assets reduce most people's opportunities to contribute to growth through investment. The second is that political inequalities and disparities in power give rise to exclusive institutions that allow only the advantaged to establish the rules of the game. This produces inefficient institutions and sustains cycles of advantage and disadvantage.

### **Poverty Reduction**

The second main theme is the impact of inequality on poverty reduction. Three main arguments are made in this context. First, declines in income inequality, alongside economic growth, accelerate the rate of poverty reduction. This is particularly the case when using a relative definition of poverty. Second, it has been noted that the higher the initial income inequality, the lower is the effectiveness of future economic growth in lowering absolute income poverty. Third, it has been argued that certain types of inequalities – in access to healthcare, education or political rights for example – have a direct causal impact on poverty, by reinforcing the inter-generational transmission of poverty and diminishing the individuals' prospects for escaping poverty.

### **Social Cohesion**

Regarding the third impact, social cohesion, it has been argued that high inequalities have the potential to result in crime, violence and insecurity. Horizontal (group-based) inequalities have a potentially more destabilising impact and can, in extreme circumstances, result in violent conflict and social disintegration. A related point is that inequalities can, when they are perceived as unjust (for example, when political institutions are perceived as being vehicles for the advancement of the interests of a particular elite or group), undermine democratic institutions and political legitimacy. Another related point made is that marked inequalities in the distribution of benefits of market reforms can create resentment, and undermine support for those reforms.

### **Addressing the Inequality Problem**

After 1994, the ruling parties in government have come up with different policies to improve education, health, safety nets, as a way of putting poverty as the number one priority. This section discusses some of the policies that have been put in place especially in the wake of a multiparty system. Some have worked and some have not produced the expected results. How these policies have fared is covered more extensively in the next section.

### Human Resource

The state of human resources in Malawi is dismal and seems to contribute to the wide spread poverty and inequality. Broad-based growth and poverty reduction require more effective investments in people, especially their education and health, improving access and quality in rural areas and more densely populated and poorer areas.

The Government that took over in 1994 introduced the Free Primary School Education initiative with the aim of broadening the access to primary school entrance, through reducing the cost of schooling to households<sup>27</sup>. This move increased the primary enrolment levels from 1.9 million in 1993 to 3.2 million in 1994 representing an increase of about 68 percent<sup>28</sup>. However, this created work pressure for the teachers as well as the Government in that there was an urgent need to provide additional school places and teaching materials.

In health and family planning, several areas have been identified to expand access, including strengthening of services delivery, improving the availability of drugs and contraceptive supplies, and placing and training community health workers.

In terms of effectiveness, the significantly low health indicators have been strongly associated with poor primary health care services. Primary health care is crucial for preventing transmittable diseases, for providing maternal, pre- and post-natal, infant and child care, and for avoiding high cost hospitalisation that will be needed later if preventive care is lacking.

### Improving Rural Livelihood

As already noted earlier, Malawi's agricultural sector is characterised by a dual structure consisting of smallholder farms and estates. The country's agricultural development strategy has thus had to grapple with challenges in both sub-sectors with emphasis shifting from one sub-sector to the other, depending on the prevailing political and economic interests at different points in time. The agricultural development policy of the early post-independence government was geared largely toward the support of smallholder farmers. In the 1960s nearly all government agricultural investments were allocated to smallholder agricultural development projects. This policy was changed in the late 1960s with an emphasis on the estate agriculture. This dualistic economic structure resulted in growth but also in a highly skewed distribution of income and opportunities for advancement.

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<sup>27</sup> For many years, prior to FPE, households used to pay a sizeable amount of fees for their children.

<sup>28</sup> Malawi DHS Eddata Survey 2002, Education Data for Decision Making, pg 2.

After 45 years of independence, poverty and inequality still persist and the estate policy's success is questionable. A number of reforms pertaining to the liberalisation of agricultural production, the smallholder burley programme, and the liberalisation of agricultural input markets were considered, with a view that they could initiate structural changes intended to promote long-term broad-based growth to benefit poor Malawians. Some of the policies have moved towards liberalising maize prices; and some studies were undertaken on land reform in order to come up with a policy that could help reduce poverty and inequality.

Malawi is a land-constrained country with an extremely high rate of population growth, and rain-fed agriculture with a single cropping season. Sustainable poverty reduction would therefore depend, to a large degree, on rural Malawians finding income-generating activities outside agriculture.

### **Safety Nets**

Two major national initiatives were introduced as safety nets: the public works programme and the distribution of free inputs. Public works is a labour-intensive programme that targets priority areas and poor households. In the short-term, the programme is able to meet the nutritional needs of the poor and provide them with much-needed resources to pay for critical farm inputs.

In an attempt to improve household nutrition and reduce vulnerability among smallholders, free input distribution programmes were implemented in 1994/5. The main target areas were those that were affected by draughts in 1993. Targeted households received an input package consisting of enough hybrid seeds and fertilisers to plant about 0.2 hectare of land. Over 800,000 smallholder households were targeted for this, and the number reached 600,000 in 1995.

### **Successes and/or Failures**

Social and economic indicators are measures of success or failure of national policies. Most of the policies that were introduced during the time of the multiparty government, have had little success. Poverty has not changed significantly for the past seven years. According to the Integrated Household Survey 2004/05, 52.4% of the population lives below the poverty line. This translates into about 6.3 million Malawians who are poor, with the poorest people in the southern region and the rural areas being poorer than urban ones where poverty rates are at 25.0% (MGDS, 2006). The poor still have poor socio-economic indicators, with food security a continuing threat to better life, ability to integrate the poor into the economic fabric, and problems of malnutrition.

Drivers of Change, a study commissioned by DFID on Malawi, summarised the 1998-2004 phase as one of the worst development performances with frequent crises<sup>29</sup>. It was characterised by:

- an annual average GDP growth of 1.6% from 1998 to 2003 – markedly beneath the population growth rate;
- a complete break-down of the state's capacity to formulate and implement policy – massive misappropriation of public resources, collapse of State service provision, extensive fiscal indiscipline and consequent macro-economic instability (inflation averaging 27% per annum and nominal interest rates 44%);
- in 2001/2 an acute crisis of food availability affecting a substantial proportion of the rural poor – reflecting a combination of harvest failure and inadequate emergency measures on the part of the authorities.

Trends in some major poverty-related variables for a good part of the past three decades show more failure than successes. For example, real monthly average earnings in the agriculture sector, where sectoral average wages are the lowest, fell cumulatively by 59% over fourteen years from 1980 to a 1994 level of a miserable K7 (equivalent to about 10 American Cents). The sectors outside agriculture had an average earning of K18 (equivalent to about a quarter of a Dollar) in 1994. Considering that the agriculture sector is the largest sector, in terms of employment, (accounting for about half of the total 10 million people in formal sector employment during the 1980s and 1990s), the majority of the population became worse off. In addition to high rates of inflation, the erosion of real wages over the years was worsened by the wages restraint policy of the Government, which was amenable to exploitation by employers in the absence of active trade unionism during the single party rule up to May 1994.

### **Alternative policy options**

Most of the policy options that are pursued in Malawi to deal with economic problems follow a neo-liberal approach because a good percentage of the country's development budget comes from the donors. This section discusses different policy options and provides some case studies in relation to Malawi.

### **ANSA Proposals**

The ANSA project, "Alternatives to Neo-Liberalism in Southern Africa", is an attempt to outline what needs to change and can be done. It hopes to provide a basis for discussion amongst workers, farmers, intellectuals, women, youth,

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<sup>29</sup> Booth et al (2006), *Drivers of Change and Development in Malawi*, IPRAD and ODI, London.

NGOs, faith-based organisations and government officials across Southern Africa and elsewhere on the continent. The ANSA initiative is based on 10 core principles<sup>30</sup>, namely:

- It is led by the people;
- Autocentric development, based on domestic, human needs and the use of local resources;
- Regional integration, led from the grassroots;
- Selective de-linking and negotiated re-linking;
- Alternative science and technology;
- National, regional and global, progressive alliances;
- Redistribution of wealth to empower the non-formal sectors;
- Gender rights as the basis for development;
- Education for sustainable human development;
- A dynamic, participatory and radical democracy.

Most of the chapters are quite relevant to Malawi's situation. Like in most of the economies in Southern Africa, there are two to three sectors comprising the formal economy, while the majority tries to make a living in the urban informal sector and the rural (or communal) economy. The majority of Malawi's population (80%) lives in the rural areas which do not have proper linkages to the formal sector and the external economy. The alternative policy approach of bold measures of transformation is followed instead of marginal programmes and projects.

Malawi's macro-economic framework has been shaped by the "Washington Consensus" ideology based on the belief that profits for businesses are the key driving force behind any economy. The neo-liberals have taken over most of the policy formulation work for most of the southern African countries, including Malawi but with devastating results. Key infrastructure and service provisions have deteriorated considerably due to these policies resulting in operational inefficiencies, poor management and maintenance, and poor targeting of public finance.

The backbone of Malawi's economy is agriculture and rural development, considering that the majority of the population lives in the rural areas. Land or agricultural reforms thus have a strong influence on the medium and long-term development. The earlier policies, soon after independence, were characterised by strong state intervention aimed at helping the rural masses, but the SAPs of the 1980s have tended to replace these with increasing conformity to neo-liberal policies and globalisation.

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<sup>30</sup> *Alternatives to Neo-Liberalism in Southern Africa (2007)*, ANSA Secretariat, Harare. Pg 8.

While agriculture is Malawi's mainstay, the manufacturing sector which is supposed to dominate the formal sector is underdeveloped. The need for a well-developed manufacturing sector cannot be overemphasised since it would make Malawi less dependent on Europe, China and the USA. Instead of nurturing small industries, when the IMF and World Bank introduced structural adjustment programmes, tariffs were reduced leading to influx of cheap manufactured goods from China and other Asian countries. Furthermore, the manufacturing sector tends to have no links with the rest of the economy, hence limiting growth. Malawi has to break the division between the informal and formal sector. The Government needs to promote small and medium-sized enterprises by rendering financial support and access. This can both develop the informal sector as well as create linkages between these two sectors.

Closely-related to manufacturing is the question of trade and regional integration. Most farmers in a poor country like Malawi are easily exploited, with more benefits going to the traders (middle men); and in many cases, infant industries have failed to thrive under the pressure of cheap imports. As a solution, emphasis should be put on fair trade alternatives where countries should have the right to determine their own developmental trade processes; protective tariffs or import controls should be used to support infant industries; there should be some move towards import substitution; regional economic cooperation and integration should be a priority; diversification in export commodities rather than relying on tobacco all the time; and government should be in the forefront in support of these initiatives.

The privatisation of public services has been enforced in Malawi with little recognition of important sectors such as water and electricity. These services need to remain under public control and with improved quality so that they are able to bring social benefits, as well as create new domestic markets and lead to economic growth.

In health, the World Trade Organisation has put pressure on most member countries to open up their services to foreign companies, as well as to promote the interests of the big pharmaceutical multinational firms through the Trade-Related Intellectual Property Rights Agreement (TRIPS)<sup>31</sup>. As a solution, the State needs to invest a lot in health care, including infrastructure development, training of new doctors, dentists, nurses etc. More research is also required in traditional medicine to establish the chemical composition and determine its use.

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31 *TRIPS forces all the countries that belong to WTO to pass laws that protect companies' intellectual property, such as copyrights, trademarks, patents and confidential information.*

In education, there is a need to reduce dependence on foreign donors and take control of our own policies.

Equally important is a science and technology strategy. Lessons can be drawn from Asian countries on science and technology as well as promoting knowledge systems and innovation, including emerging good practices at local and national levels.

### **Some Malawi Specific Policy Options**

Malawi's economy has been agrarian for a long time. Mineral deposits are just being discovered, and the quantities have not been fully determined to take mining seriously and consider it as a major contributor to the economy. Consequently, as we discuss policy options that can bring change to the country, the policies that deal with mining have not been considered. Agriculture, because of the numerous challenges ranging from production to land availability, and the fact that the majority of the population is involved in this sector, dominates these policy debates. Other important sectors that have been examined in this section include, water and irrigation because of its close relationship to agricultural productivity; the health and education sectors; and people-driven development – which is closely linked to the issue of governance.

### **Agriculture and Food Security**

The most recent growth strategy for Malawi still prioritises agriculture, a clear indication that the country is still dependent on agriculture despite population pressure and climatic challenges. It is, however, acknowledged in the MGDS that with the over-dependence on rain-fed farming, which increases vulnerability to weather-related shocks, the low level of irrigation development, and low uptake of improved farm inputs, Malawi continues to suffer from chronic food insecurity with many of the problems being structural and economic in nature<sup>32</sup>.

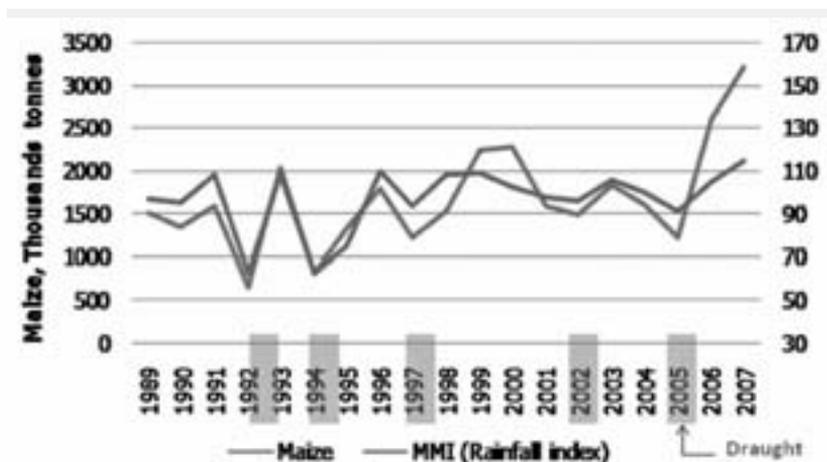
In the years 1991/92, 1994/95, 1997/98, 2001/02 and 2004/5, Malawi had national food deficits partly because of poor rainfall, as illustrated in Fig 4.1 below. Other reasons for the food deficit can be identified as:

- The failure of food production to keep pace with increases in the human population;
- Lack of water (droughts) and inability to use it for agricultural production;
- Declining soil fertility, combined with shrinking average farm holdings;
- Inappropriate and outdated agricultural technologies;

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<sup>32</sup> *MDGS (2006)*.

- The perception by many that maize is the only food when other types of cereals that are more adapted to drought are available.



*Fig 4.1 – Relationship between Maize Output and Weather*

Past food production increases were achieved through expansion of the cultivated area. However, because of the increasing shortage of land and the small size of the family holding, this is no longer a viable option. Given the relatively low rainfall in parts of the country and its monomodal pattern, the potential for increased production through higher cropping intensities is severely limited without some form of state interventions. For years, the State provided this through subsidies and through market intervention.

### **Neo-liberal Policies**

When Malawi started implementing structural adjustment programmes, deliberate efforts were made to remove most of the Government interventions because the Washington Consensus believed in market forces as the driving regulator. Apart from advising the Government to remove subsidies, they also questioned the market intervention through a marketing board called ADMARC. The reasoning was that private traders should take over from ADMARC and therefore improve the market economy. The main problem with this was that private traders found it difficult to go to some remote areas due to poor roads. Thus, some farmers in areas where ADMARC withdrew have found it difficult to sell their produce and

to buy food and inputs. This poses a problem to the Government since it has a duty to ensure that these areas have access to markets for produce, food, and inputs.

#### **BOX 4.1 - COMMERCIALISATION OF ADMARC**

State intervention in agricultural marketing in Malawi dates back to as early as 1926 when the colonial government established the Native Tobacco Board. Two more boards were later established in 1949: the Cotton and Maize Control Boards. In 1956, the three boards were merged to form the Agricultural Production and Marketing Board, which was renamed Farmers Marketing Board in 1962. In 1971, the Agricultural Development and Marketing Corporation (ADMARC) was established to replace the Farmers Marketing Board. Its main mandate was to market agricultural inputs and outputs, but was also allowed to make investments in anything that would contribute to the development of the economy

The World Bank has been demanding the commercialisation of the Malawian Agricultural Marketing Board as a condition for its latest structural adjustment loan. Actually, the privatisation of the ADMARC has been an objective of the World Bank since the mid-1990s. It represents a central element in an approach to agriculture that holds that full liberalisation of the sector will be best for the poor. This approach has been increasingly questioned in Malawi and other countries in the region, particularly in the context of the recurrent food crises. Many commentators believe the full liberalisation of the agriculture sector greatly contributed to the cause of the food crisis and the subsequent deaths in 2002.

In late December 2003, legislation was rushed through a special parliamentary session turning ADMARC into a limited company, the first stage in the privatisation process. This session was boycotted by many MPs, partly because they had already expressed opposition to the privatisation of ADMARC in two previous hearings. Civil society and official impact analysis studies agreed that ADMARC is clearly in need of reform, but demonstrated that it plays a vital social role in ensuring market access for the rural poor by running subsidised markets country-wide. These markets would close under privatisation and the small and weak private sector would be unlikely to fill this gap, leaving a dangerous vacuum in service provision that directly threatens people's livelihoods

#### **Land Policies**

Land Policies in the country, for a long time, have not really helped address the plight of the poor and have propagated inequality. The Land Act of 1965 indicates four categories of land ownership: public land, customary land, leasehold and freehold. Public land is land held in trust by Government, local or traditional authorities and is used openly or is accessible to the public; this includes land gazetted for national parks, recreation areas and historical and cultural areas. Customary land is land falling under the jurisdiction of a recognised traditional

authority, which has been granted to a person under customary law; such land is allocated to the person, resident or immigrant, by the traditional leaders holding jurisdiction over the land. Leasehold tenure is a personal contract granting the exclusive right of use of land for a fixed period shorter than the private ownership rights held by the person issuing the lease. Freehold land accords the holder exclusive possession of the land in perpetuity without term limits placed on the title of the owner. Freehold land offers the highest security of tenure.

Most of the land in Malawi is held under customary tenure and consequently lacks legal recognition. Such land can be sub-divided by family members and households are not allowed by customary law to sell the land. One consequence of this is that such land is difficult to value and cannot be used as security to acquire a loan. Most households will have such a portion of land, but because they cannot afford to buy certain inputs like fertilisers, the production is very low.

The Structural Adjustment Programme neglected this problem and it has been dealt with slowly by the Government because of political sensitivity. Arable land has been declining considerably because of population. During the time Malawi gained her independence, arable land per capita was 0.35 ha, and by 1978 it had decreased to 0.24 ha compared to Africa's average of 0.38 ha. In many parts of the country, the decline in farm size has not been offset by increasing productivity; this is a major cause for the increase in poverty.

**Table 4.1 Land use in Malawi**

USE	1964	1978
Total Land Area (thousands of hectares)	9,405.1	9,405.1
Customary land under cultivation		
Total	n/a	2,875.4
Actually planted	1,287.4	1,332.1
Estates		
Total	98.1	469.0

USE	1964	1978
Actually planted	25.4	58.4
National parks, forest reserves	n/a	1,883.0
Urban areas and infrastructure	n/a	1,035.6
Non-arable land	n/a	3,142.0
Total land area per capita (hectares)	2.483	1.647
Agricultural lands per capita	n/a	0.586
Actually planted	0.347	0.244

The implementation of Malawi's land policy is unclear. While there were good consultations on the reform, there was a lot of expectation that people's land holdings would improve. However, since 2002 when the Government started implementing the land policy, little is seen to have been achieved, possibly due to its sensitivity; Zimbabwe is one case where the implementation of land policy led to economic and political problems in the country. The major problem cited by those consulted was that land redistribution seems to be neglected. The Government needs to take this seriously to ensure an equitable land redistribution, taking into consideration gender as well as the marginalised and disadvantaged groups.

### Water Resource and Other Natural Resources

Malawi is relatively rich in water resources, which are stored in the form of lakes, rivers and aquifers. The country is divided into 17 Water Resources Areas (WRAs), which are subdivided into 78 Water Resources Units (WRUs). There are two major drainage systems:

- The Lake Malawi system, which is part of the Zambezi River basin. The Shire River is the only outlet of the lake with an average flow of 400 m<sup>3</sup>/s. About 91 percent of the country is located in the Zambezi River basin.
- The Lake Chilwa system, which is shared with Mozambique. Lake Chilwa is an endorheic basin, draining rivers originating from the eastern slopes of the Shire Highlands, the Zomba Plateau and the northern slopes of the Mulanje Massif.

There are two main aquifers in Malawi:

- The Precambrian weathered basement complex, which is extensive but low yielding (up to 2 l/s);
- The quaternary alluvial aquifers of the lakeshore plains and the Lower Shire valley, which are high yielding (up to 20 l/s).

The Government needs to utilise this resource so that it can contribute to agriculture, food security, foreign exchange earnings through tourism etc. Some of the specific suggestions are as follows:

### **Fishing**

Lake Malawi has traditionally provided a major food source to the residents of Malawi as it is rich in fish, such as the chambo, consisting of any one of four species of the cichlid genus *Nyasalapia* and the kampango, a large catfish (*Bagrus meridionalis*). While the fish is an important food source for Malawi, the populations of fish are increasingly threatened by overfishing and pollution. As a major source of the population's protein requirement, and provision of direct and indirect employment, there is a need for the country to consider:

- Enforcing legislation to ensure sustainable production of fish;
- Promoting the use of modern techniques of fishing;
- Capacity building through community training; and
- Development of small-scale fish farming and deep water fishing.

### **Irrigation and Drainage Development**

The potential for irrigation is estimated at 200,000 ha for formal irrigation and 480,000 ha for informal irrigation. The potential for small-scale irrigation is estimated at 100,000 ha. Malawi's required food production, at approximately, 2m MT is difficult to achieve with the available land and when the rainfall pattern is not even. In such circumstances, production during off-season would help to cover the deficit. Despite this knowledge, in 2002 about 56,000 ha were equipped with irrigation. Of these, about 48,000 belonged to estates cultivating sugarcane, tea and coffee. Thus, the irrigation potential is completely underutilised.

The Government needs to make it a priority to implement the 2003 irrigation plan that has been delayed without proper reason. According to the Ministry of Irrigation's plans (2003), irrigation development was prioritised with the aim of increasing agricultural productivity and at the same time at promoting the use of appropriate and simple irrigation technologies. The plan focused largely on the use of the treadle pump technology by smallholder farmers, with the objective of considerably increasing the coverage of irrigation development in the country.

It was planned that an estimated 300 000 treadle pumps would be installed for smallholder farmers by 2008, and that an estimated 495 km of canals would be built over the same period. It was expected that other technologies, such as river impoundments and the use of small motorized pumps would be exploited further. It was expected that by the end of 2008 at least 100 800 ha of irrigation development would have been added.

### **Recognition of diversity and promotion of institutional innovation and learning**

Finally, it is important to note that rural areas are diverse, as are the livelihoods of rural people. Opportunities and constraints vary across areas and change, as development occurs. Public policy needs to reflect the different challenges facing areas at different stages of agricultural and non-agricultural development. These challenges are complex, and institutional solutions will vary across areas and over time. It is important, therefore, to promote systems that promote (where possible) low- risk local institutional innovation and broader lesson learning.

#### **Education**

Malawi emulated the European type of education since colonial times. The system has been based on foreign models, with little African content. The neo-liberal policies emphasised the user fees, making education accessible to fewer people. Furthermore, SAPs wanted the Government to increase the private cost of higher education; reduce public financing of vocational education; and finance loans for low- income students. The SAPs also required that the private sector should be involved in providing education services.

With the above emphasis and conditions, Malawi's education has been shaped as follows:

- The primary, secondary and post-secondary school curricula lay emphasis on acquiring foreign (mainly, but not only Western or European) views of the physical and social worlds, paying little attention to indigenous knowledge of science, technology, medicine, agriculture, geography, economics, political science, sociology, law and other subjects.
- The curriculum does not include much of the technical subjects that can help those who do not get white-collar jobs into the labour market.

- In the long-term, the Government needs to look at the curriculum, and why there is lack of interest from a number of students. It should look at how the curriculum can help make Malawi a productive country by utilising the knowledge gained from schools at all levels. Currently, those that leave at primary and secondary levels hardly contribute to the development of the country because the subjects they were taught were preparing them more for a white-collar job rather than technical competencies.

### **Informal finance**

One of the areas that has been neglected in the neo-liberal policy targeting is the recognition of the different sectors in the economy and their respective contribution. While the formal sector (especially financial formal sector) mostly serves the “middle class”, the informal financial sector is popular with most of the poor and other people with low incomes. This is because for informal financial units that are organised as associations, the factors seem to be the close relationship between the financial services that they offer and the promotion of ties of solidarity and friendship among the people involved; and the fact that members are encouraged to save what they would not otherwise be able to put aside, but spend.

Informal finance can operate in a manner that suits the needs of borrowers, such as the small size of loans, the simplicity and informality of the procedures for obtaining loans, the use of personal guarantees as security, the absence of restrictions and controls on the use of the loans, the fact that the loans can be granted on any day of the week and at any time of the day, flexibility in repayment, and, in some cases, absence of interest on loans or low rates of interest on loans.

Malawi can perhaps learn from the experience of Eastern and South-Eastern Asian nations. Among other things, these nations have achieved high levels of credit delivery partly due to the adoption of the techniques that have been explained above, but also due to the development of effective links between formal and informal financial sectors, especially credit links through which the former relieve the liquidity constraints of the latter, with the encouragement of their governments and the support of their central banks. There is no such endorsement in Malawi at present.

As short to medium-term measures, the Government needs to fully recognise the informal sector and start developing support programmes. This can be through infrastructural development, linking them to actual banks or actually turning them into quasi-banks, etc.

### Cash Transfer Program

A Social Cash Transfer Scheme (SCTS) was introduced to interrupt the intergenerational cycle of poverty in ultra poor and labour-constrained households in Malawi. Cash transfer programmes throughout the world were designed within a Social Protection framework to alleviate poverty in the short-term and to interrupt the long-term intergenerational cycle of poverty that traps children in a lifetime of chronic destitution. Malawi's draft National Social Protection Policy (2008), now called the National Social Support Policy (2009), specifically articulates its goal of emphasising "long-term, predictable interventions" that "contribute to asset creation and protection;" and through this, the aim is to "strengthen human capital, thereby helping to break the intergenerational cycle of poverty." It is being stipulated that transitioning out of poverty requires investments so that a child has adequate health, nutrition, and education.

While conditional cash transfer programmes have yielded encouraging results in Latin America, there is little evidence on the impact of unconditional cash transfers in Africa. Malawi's programme started with seven districts reaching more than 11,000 households. The goals of the scheme included improving school enrolment, reducing child labour, and increasing access to health services. Ultra-poor households are defined as those in the lowest expenditure quintile or below the food poverty line, and labour-constrained households either have no able-bodied adult aged 19-64 or have a dependency ratio worse than three so that one adult must care for more than three children, elderly, or chronically ill household members (Schubert and Kambewa 2006). The SCTS is implemented by the Government of Malawi at the level of the District Assembly and utilizes a community-based targeting strategy.

From the 1980s up to recently, neo-liberals have refused developing countries like Malawi to get involved in social support, instead advised the governments to work on cost recoveries. Subsidies in agricultural and health sectors were removed, and most countries in SSA were encouraged to liberalise their economies (as already noted in section 2). However, proponents of Social Protection in the form of cash transfers have argued that the transfers are a critical tool in helping households meet their basic needs (Barrientos and DeJong 2004), allowing families to purchase food, healthcare, and other necessities, which in turn should improve health outcomes. There have been many success stories from Bangladesh, Colombia, Nicaragua, Mexico, Nicaragua, South Africa and Namibia.

In Malawi, the impact of the cash transfer on children has been measured quantitatively and includes better nutrition and health, with fewer illnesses. Specifically, after one year of the cash transfer, impacts on children include a 13

percentage point difference in the proportion of underweight 0 to 3-year-olds, a 0.5 centimeter gain in height among 5 to 18-year-olds, and a 10 percentage point reduction in reported illnesses among children aged 0 to 18 years (Miller, Tsoka, Reichert, 2009a). Educational impacts include a 5% increase in enrolment, increased educational expenditure per child, a one-day decrease in absences, and a 10% decrease in the out-of-home work (Miller, Tsoka, Reichert, Alley, 2009b). At the household level, cash transfer families have experienced improved food security as evidenced by dramatic increases in food expenditure, and nutrition with improvements in dietary diversity, and the regular consumption of complex proteins such as meat and fish (Miller, Tsoka, Reichert, 2009c). They have also acquired household and productive assets and livestock (Miller, Tsoka, Reichert, 2008).

With such overwhelming success in the first year, despite the doubts that the strategies can handle chronic poverty, there is a need for Malawi to roll-out the programme country-wide. This intervention has the potential to break the cycle of poverty.

### Conclusion

This chapter examined Malawi's economic history, pointing out the areas of development that could have thrived if the early traders and missionaries had not repressed the indigenous population. When the colonialists were in power, most of the policies introduced contributed to inequality and poverty. The labour practices such as "hut tax", "thangata" and the "tenant system" forced Malawians to work on European estates leading into a poverty trap. Some of these practices have been propagated in independent Malawi. The policies pursued since independence have focused predominantly on agriculture. Even though the country made some effort to promote manufacturing, the industrial sector has not developed and thus the country still depends on imports even for most basic agro-processed goods, thereby underutilising the great potential Malawi has in this area.

The first government that took over in 1964 had several plans, focussing on land and labour as the main resources. The implementation was fairly successful and the country showed impressive growth during the early years until the early 1980s when the economic crisis came and the country turned to Bretton Woods institutions for support through SAPs. The second government came in 1994, changing from autocratic rule to multi-party pluralism, which resulted in some changes but little focus on socio-economic development. The current Government, which is an offshoot of the second Government, is trying to get the country back on track, but has not significantly changed its development strategy.

The SAPs that were designed to provide incentives for the production of export commodities, rationalise government taxes and expenditure, and strengthen key sectors and institutions in different ways to realise sustainable macro-economic growth, did not perform to their expectation, leading to poor economic growth and further widening of the income distribution. Overall, the performance of the economy in terms of expansion of the national income worsened in the adjustment period compared to the growth in GDP in the pre-adjustment period. In the pre-adjustment period, the average growth in per capita real gross domestic product was 5.2% per annum but declined to an average rate of 1.5% per annum since structural adjustment programmes were implemented in 1980 (Chilowa 1998). Even though the SAP era is over, the country's development budget is largely (about 60%) dependent on donors. It is, therefore, not surprising that most policies are still subject to external "advice" and conditionalities, leading to an erosion of accountability of the Government of Malawi towards its citizens.

After almost 45 years of independence, Malawi still remains one of the fifteen poorest countries in the world. During this period, Malawi has gone through different political systems and changed from autocratic rule to a multi-party type of government. Although levels of inequality seem moderate when compared to other countries in the region, the high and persistent levels of poverty indicate the serious challenges that Malawi is facing today.

Notably, the country is dominated by farming as the major economic activity, deriving its foreign earnings from tobacco, tea and cotton. The majority of Malawians are farmers, either as smallholder farmers or employed in the estates, and a small elite group owns big estates. The country's geographical proximity allows for only one rainy season per year with periodic droughts and floods. Even though the country has massive water resources, they are still under-utilised. The underdevelopment in technology contributes to poor utilisation of the water resource as well as low income levels for the population. However, the subsistence nature of the economy and the level of inequality seem to be contradictory but can be explained in terms of the colonial legacies.

Malawi needs decisive interventions to overcome widespread poverty. Support for small-scale farmers (for example, granting them jurisdiction over the land) as well as the informal economy (e.g. loans) and the deliberate creation of a manufacturing sector must be amongst the key priorities. Protective tariffs and import controls will have to be used in support of infant industries and to allow for a diversification of economic activities that will promote greater self-reliance. Furthermore, supporting social sectors like education and health are key for the success of this process.

The experiences, with a recent cash transfer scheme to interrupt the intergenerational cycle of poverty, have been encouraging. The programme initially reached 11 000 poor households and has had impressive success in ensuring adequate health, nutrition and education for children. At the household level, cash transfers significantly improved nutrition and food security and thus this programme should be implemented country-wide as an immediate step to reduce poverty.



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