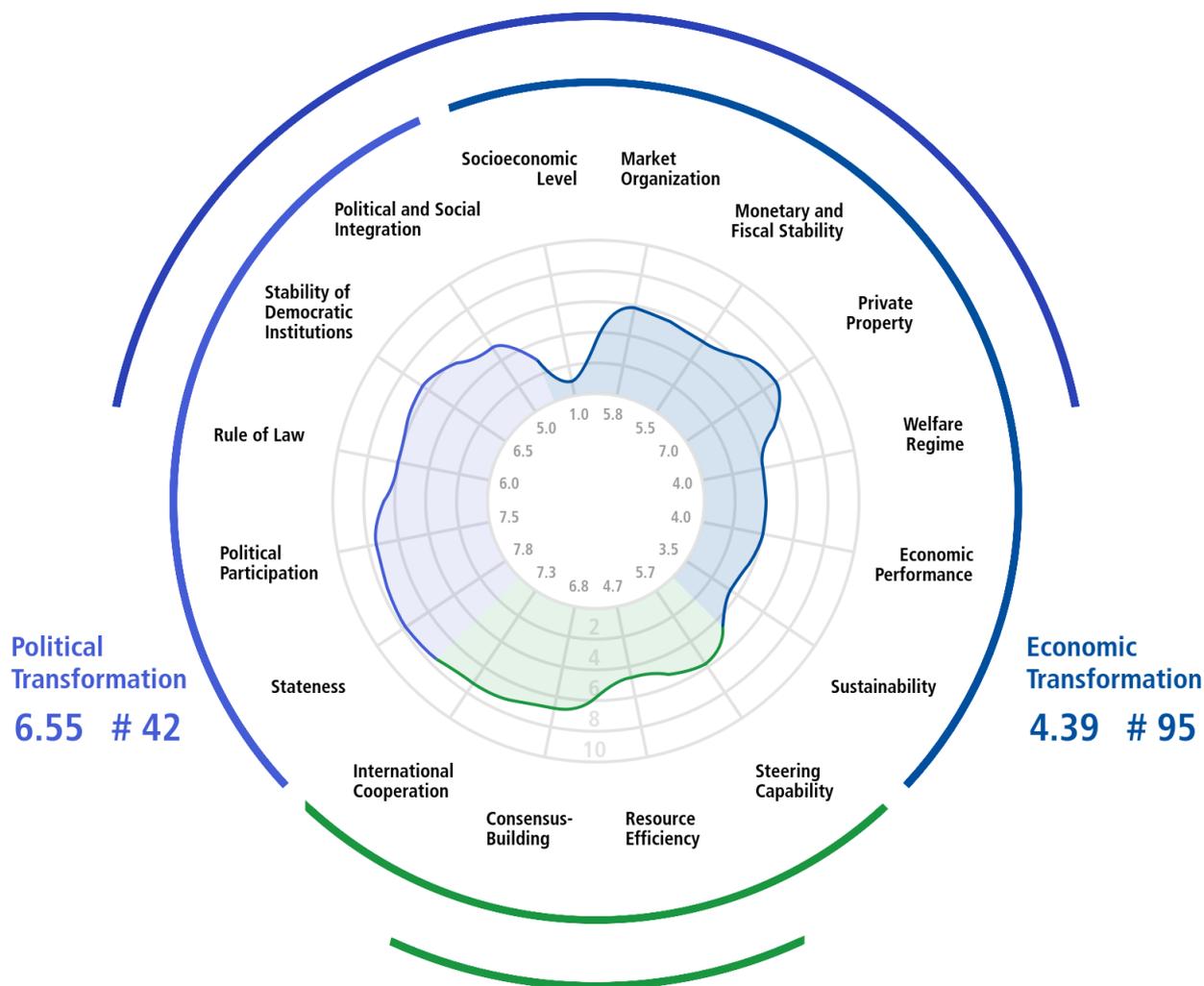


# Malawi

## Status Index

**5.47 # 62**

on 1-10 scale out of 137



**Political Transformation**  
**6.55 # 42**

**Economic Transformation**  
**4.39 # 95**

## Governance Index

**5.64 # 35**

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2022**. It covers the period from February 1, 2019 to January 31, 2021. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

Please cite as follows: Bertelsmann Stiftung, BTI 2022 Country Report – Malawi. Gütersloh: Bertelsmann Stiftung, 2022.

This work is licensed under a [Creative Commons Attribution 4.0 International License](https://creativecommons.org/licenses/by/4.0/).

## Contact

Bertelsmann Stiftung  
Carl-Bertelsmann-Strasse 256  
33111 Gütersloh  
Germany

### Sabine Donner

Phone +49 5241 81 81501  
[sabine.donner@bertelsmann-stiftung.de](mailto:sabine.donner@bertelsmann-stiftung.de)

### Hauke Hartmann

Phone +49 5241 81 81389  
[hauke.hartmann@bertelsmann-stiftung.de](mailto:hauke.hartmann@bertelsmann-stiftung.de)

### Claudia Härterich

Phone +49 5241 81 81263  
[claudia.haerterich@bertelsmann-stiftung.de](mailto:claudia.haerterich@bertelsmann-stiftung.de)

### Sabine Steinkamp

Phone +49 5241 81 81507  
[sabine.steinkamp@bertelsmann-stiftung.de](mailto:sabine.steinkamp@bertelsmann-stiftung.de)

**Key Indicators**

Population	M	<b>19.1</b>	HDI	<b>0.483</b>	GDP p.c., PPP \$	<b>1568</b>
Pop. growth <sup>1</sup>	% p.a.	<b>2.7</b>	HDI rank of 189	<b>174</b>	Gini Index	<b>44.7</b>
Life expectancy	years	<b>64.3</b>	UN Education Index	<b>0.470</b>	Poverty <sup>3</sup>	% <b>89.0</b>
Urban population	%	<b>17.4</b>	Gender inequality <sup>2</sup>	<b>0.565</b>	Aid per capita \$	<b>64.8</b>

Sources (as of December 2021): The World Bank, World Development Indicators 2021 | UNDP, Human Development Report 2020. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

## Executive Summary

The period under review, 2019-2020, has seen significant changes in Malawi's political arena. Tripartite elections were held in May 2019, apparently returning the incumbent president – Peter Mutharika – to the top political office. The two main opposition parties, Malawi Congress Party (MCP) and the recently formed United Transformation Movement (UTM), had failed to dislodge the incumbent. So Mutharika of the Democratic Progressive Party (DPP) was declared the winner with 38.57% of the vote, while the MCP and the UTM garnered 35.41% and 20.24%, respectively. Under the applicable first-past-the-post electoral system, Mutharika had thus won the presidency with a plurality of the valid votes cast. However, the two main competitors – Lazarus Chakwera of the MCP and Saulos Chilima of the UTM – disputed the election outcome. They alleged that the administration of the elections was marred by numerous irregularities, claiming in particular that a correction fluid – Tipp-Ex – had been used to alter the recorded number of votes on signed (or unsigned) forms relayed to the national tally center. The Malawi Electoral Commission admitted that Tipp-Ex had been used, though only to reconcile figures that had been recorded in error. The Human Rights Defenders' Coalition organized nationwide protests against the allegedly fraudulent election. In February 2020, the High Court annulled the 2019 presidential election and ordered a fresh one within 150 days. The High Court also interpreted the term “majority” to mean at least 50% plus one vote, which, in effect, changed the entire electoral system. The new June 2020 presidential election saw the emergence of an electoral coalition of the MCP and the UTM, which emerged victoriously. In contrast to major changes in the political realm, the Malawian economy has not fared well. Dominated by agriculture and services, the structure of the economy has not changed appreciably since 1994. Persistent structural factors impede economic growth. The soil quality is degrading, and lack of water remains a constraint. Weak human resources act as a brake on productivity growth, and the institutional and physical infrastructure (electricity, water and telecommunications) is poor. Above all, exposure to extreme weather events (floods and droughts) caused by climate change is serious and a drain on public resources, leading to domestic borrowing to balance budgets and an increasing debt burden. A multitude of smallholders

– 82-85% of the population – derives a living from rain-fed agriculture, producing mainly for subsistence but also marketing cash crops. Tobacco, tea, and sugar production take place on large estates. Tobacco is Malawi’s largest foreign exchange earner, hovering around 60% of exports. Endemic corruption continues to disrupt the economy. The macroeconomic situation improved somewhat with a stable overall inflation rate at the single-digit level. However, the macroeconomic improvement has not translated into a significant impact at the micro level in terms of poverty reduction. In combination with poor service delivery, this caused frustration and high expectations of change among the population in 2019. The COVID-19 pandemic is a drain on public resources and the health system is overstretched. To curb the spread of the pandemic, in April 2020, the government announced a partial 21-day lockdown and all international flights to Malawi were suspended. The government has managed the pandemic reasonably well through the institution of strict precautions with stiff penalties in case of violation. However, in January 2021, the country has been hit by a new wave of COVID-19 cases. The number of positive cases jumped from 6,028 (December 2020) to 33,481 (March 2021).

## History and Characteristics of Transformation

The most significant transformative development since independence was the 1993 referendum whereby citizens expressed their preference for a new multiparty system instead of the continuation of the one-party system under the Malawi Congress Party (MCP) with Kamuzu Banda at the helm. The 1994 elections saw the emergence of a new party, the United Democratic Front (UDF), under the leadership of Bakili Muluzi, who became state president and remained in office until 2004. He tried to amend the constitution in 2003 in order to stand for re-election to a third term but the move was defeated. Muluzi was succeeded by Bingu wa Mutharika, who won the 2004 elections. However, after he fell out with his predecessor, Bingu left the UDF and formed the Democratic Progressive Party (DPP), which he led to victory in the 2009 elections. When Bingu passed away after a heart attack in 2012, his vice president, Joyce Banda, succeeded him; she eventually failed to be elected president in 2014. At that stage, Bingu’s younger brother, Peter Mutharika, had been groomed to take over the DPP. He won the presidential election against Joyce Banda and remained in office until he was ousted in the fresh presidential election after the High Court had annulled the botched 2019 vote. During Mutharika’s terms, the MCP was revived with a new leader: Lazarus Chakwera. Ahead of the 2019 elections, a new party – the United Transformation Movement (UTM) – was formed by Mutharika’s vice president Saulos Chilima. Without any discernible underlying ideologies, the election manifestos of all parties promised improved services that Malawians crave: education, health, communications, water and electricity supply, agricultural subsidies, etc.

During the Kamuzu Banda era, the state had controlled the economy. The new democratic dispensation saw the liberalization of the economy and the promotion of market-based competition. The liberalization reforms accelerated in the 1980s with the Structural Adjustment Program sponsored by the World Bank and the International Monetary Fund. Part of this thrust

was the divestiture of parastatals. The Malawi Confederation of Chambers for Commerce and Industry (MCCCI) has been the interest organization of the private sector. Notwithstanding economic liberalization, the state has retained a significant role in the economy, principally through development plans and sector-based policies such as the long-term framework Malawi Growth and Development Strategy (MGDS III), the National Industrial Policy, and the National Export Strategy. However, Malawi lacks an implementable roadmap toward industrialization. Significant agricultural subsidies sustained through government-sponsored programs such as the Farm Inputs Subsidy Program and the recently launched Affordable Inputs Program have been implemented. These state-financed programs are popular with the multitude of smallholders who derive a living from rain-fed agriculture, producing mainly for subsistence but also marketing cash crops. They make up 82-85% of the population. Tobacco, tea, and sugar production take place mainly on large estates. Tobacco plays a major part in the economy. It has long been Malawi's largest foreign exchange earner, hovering around 60% of exports. Malawi's economy has attracted little foreign investment. Corruption remains a significant factor with disruptive effects on the economy.

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

## Transformation Status

### I. Political Transformation

#### 1 | Stateness

The state in Malawi holds an absolute monopoly over the legitimate use of force, which covers the entire country. Excepting the People's Land Organization in the southern region of the country, which claimed rights to land in Thyolo and Mulanje districts where major tea plantations are located, there is hardly any challenge to the authority of the state and the laws that govern current land rights. The People's Land Organization was a localized initiative and gained little traction elsewhere, notwithstanding extensive media coverage. Its leader, Vincent Wandale, was indicted and convicted of criminal trespassing after inciting his followers to occupy a tea estate. His movement has not seriously challenged the state's authority. Malawi has remained peaceful since independence and experienced no major violent conflicts except for sporadic violence following specific events (e.g., contested election results or other events leading to public demonstrations). While the state's monopoly on the use of legitimate force remains uncontested across the country, two developments warrant attention. First, in the run-up to the May 2019 general elections, the country experienced cases of political violence perpetrated mostly by the ruling Democratic Progressive Party militia. Second, over the years there have been intermittent calls to reorganize the country from a unitary to a federal state. These calls have been championed primarily by politicians and activists from the northern part of the country. The main argument advanced by proponents of federalism is that the central government has neglected the northern region, and that a federal system of governance would bring about more even development across the country.

Question  
Score

Monopoly on the  
use of force

9



1

The overwhelming majority of the population today accepts that Malawi is a legitimate territorial state. However, public opinion surveys show that many Malawians struggle over whether to identify first with the state or with their ethnic-cum-regional identity. A 2020 Afrobarometer survey found that nearly one fifth of the population (17%) said they identify more with their ethnic rather than national identity while 51% claimed to identify just as much ethnically as they do nationally. Only 32% said they self-identify more as Malawians than with an ethnic identity. The Malawian state has not deliberately discriminated against or withheld citizenship from specific population groups. All Malawians consider themselves full-fledged citizens. No serious challenges have been raised since independence to the legitimacy of the nation-state. All expressions of discontent about the state and its performance have been voiced within the framework of the existing state structures. Excepting intermittent calls – that have never been acted upon – for the conversion of Malawi into a federal state and the feckless declaration of an independent republic in Thyolo and Mulanje districts, there has been no serious challenge to the state’s authority over the entirety of the country’s territory and its population. Citizenship can be acquired by birth, descent, marriage, registration and naturalization. The precise procedures for acquiring citizenship or losing it are contained in the Citizenship Act, Chapter 15:01 Laws of Malawi. Section 20 of the constitution prohibits all forms of discrimination based on nationality, ethnicity or social origin. One anomaly, however, is that while citizenship will automatically be conferred on foreign spouses of Malawian men, the reverse is not the case for foreign spouses of Malawian women. While Malawian citizens perceive themselves as Malawians, they also carry regional and ethnic identities that to some extent are coterminous, expressed variously in language, culture and rituals. Regionalism and ethnic affiliations emerge clearly in voting patterns and are often expressed in public discourse. However, the 2020 fresh presidential election served to bring the country together and delivered what is largely considered a more legitimate government compared to the administration that was ushered in during the contested, and subsequently annulled, 2019 presidential election. To the outside world, Malawians are fond of projecting their country as “the warm heart of Africa” devoid of serious conflict. The only challenge to the territorial integrity of Malawi is the dispute with Tanzania over the northern part of Lake Malawi. In recent years, the tension that characterized the dispute around 2012/2013 has somewhat died down, albeit without a clear resolution.

The constitution provides that Malawi is a secular state, although many public documents profess that Malawians are a God-fearing nation. The norms that influence governance in the country cannot be said to be sourced or premised on any particular religion, although the profoundly religious population overwhelmingly adhere to Christian denominations (Catholic, Presbyterian, Anglican and Pentecostal) but there is also a 12-15% minority of Muslims. Religious bodies have traditionally been politically influential. For example, in times of national crisis, religious leaders offer alternative courses of action and provide guidance to their congregations, for example

### State identity

9



1

### No interference of religious dogmas

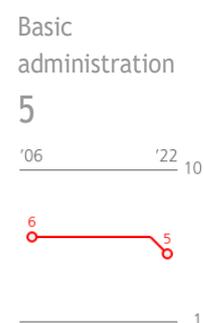
8



1

through pastoral letters and audiences with the head of state. The influence exerted by religious groupings on the legal order, political institutions, and policy formulation is usually indirect and subtle, but sometimes direct and overt. Unwittingly perhaps, this has generated latent tension between the demands of secularism as laid down in the constitution and some religious beliefs that do not necessarily conform to the constitutional stipulation. For example, faith-based organizations have mobilized protests against the rights of sexual minorities (i.e., the LGBTQ+ community). Long-standing public debates over same-sex relationships and marriages have raged in the country. While same-sex relationships would appear to be protected under the non-discrimination clause in the constitution, the main arguments against legalization of same-sex relationships are based on religious dogma. Another area where religion has had significant influence on legislation was demonstrated in debates in late 2018 aimed at relaxing rules on abortion and the amendment of the abortion law.

Basic administrative structures exist throughout the country, although their effectiveness leaves a lot to be desired, largely due to poor funding and inadequate staffing. The Malawi Revenue Authority is present throughout the country but its efficiency in tax collection is questionable. The provision of water, electricity, health and educational facilities is very uneven and erratic, and in some areas nearly nonexistent. The current COVID-19 pandemic has exposed the weakness of the health care system, whose public part and substantial health facilities are run privately, for example by the Christian Health Association of Malawi (CHAM). Recent reports suggest that some medical personnel have contracted the virus, further adding to the burden on the health care system. COVID-19 has significantly affected revenue generation by the government and has put pressure on resource allocation. Additionally, the government has had to allocate more resources to the fight against the pandemic, reducing expenditure on other key services. Little has been achieved in terms of devolution of decision-making power from the central level to local government structures. Despite the failure of decentralization, the state's administrative structures cover the entire country. However, service provision through these structures varies considerably, with comparatively better services in urban areas than in rural areas. A particular structure that warrants attention is that of traditional authorities, that is, the areas in which chiefs wield considerable influence, particularly in matters of land ownership. The chiefs are not elected but appointed and receive a stipend from the government. The availability of basic public services is compromised by general government inefficiency and corruption at all levels. Magistrate's Courts are generally considered deficient and susceptible to corruption while higher-level courts are more effective.



## 2 | Political Participation

Since the democratic opening in 1994, general elections have been held at regular five-year intervals. Until recently, the electoral system was based on the first-past-the-post plurality principle in single member constituencies. Within this system the candidate who garners the largest number of valid votes cast (a plurality) emerges as the winner. The High Court ruling in February 2020 that annulled the 2019 presidential election on the grounds of gross mismanagement also ruled that a correct interpretation of the constitutional provision that governs the determination of the winner of presidential elections is that the victor should secure at least 50% of the valid votes plus one.

This interpretation was subsequently used to decide the winner of the presidential election rerun held on June 23, 2020. The losing presidential candidates in the 2019 elections had challenged the results in court, which eventually ruled in their favor by annulling the 2019 vote. Up to eight legislative election results were also annulled by the courts after challenges by losing candidates. The electoral calendar in Malawi is fixed by law. Following the 2020 court ruling that annulled the 2019 presidential elections, parliament passed several amendments to change the elections calendar to enable the new president to serve a full five-year term, beginning June 2020. In order to synchronize the date of elections for members of parliament and local government councilors with those of the president, the terms of office for MPs and councilors who were elected in 2019 were extended by one year, with the next elections now scheduled for 2025.

The constitution guarantees equal and universal suffrage to citizens of eligible voting age. Political parties are allowed to canvass votes and field candidates for election to office. After the election rerun of June 23, 2020, which opposition candidate Lazarus Chakwera won, the then incumbent, President Peter Mutharika, attempted to challenge the validity of the results by claiming that the election was illegal. However, this challenge did not get much traction. The body responsible for the administration of all elections – the Malawi Electoral Commission – has been subject to harsh criticism over the years. The commissioners are appointed by the president following recommendations/nominations by the parties represented in the National Assembly, a process seen to compromise MEC's independence and impartiality. As a result, the electoral commission is composed in a partisan manner and the political leanings of the commissioners have tended to undermine their impartiality. Registration procedures for voters are generally transparent and fair. However, the electoral commission has generally lacked the resources to conduct simultaneous registration across the entire country and thus slowed down the registration process. All political parties and their representatives are allowed to observe and monitor the voter registration process. Similarly, party agents are allowed to observe and monitor the casting of votes on polling day and the subsequent vote counting. State-owned media, in spite of their legal duty to provide balanced coverage of all political

Free and fair elections

7



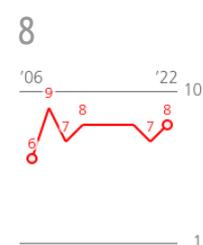
campaigns, have persistently favored the incumbent government during election campaigns. However, independent, private media (print and electronic) have contributed to the leveling of the playing field as far as media coverage is concerned. Actual polling has generally tended to follow international standards. There have been residual concerns about the accessibility of voting materials to people with disabilities (e.g., the visually impaired), but the electoral commission has expressed commitment to addressing this challenge. The latest election was not postponed due to the COVID-19 pandemic.

The democratically elected representatives are formally empowered to govern in Malawi. However, between elections non-elected groupings – businesses, faith-based organizations or NGOs – seek to influence the decisions expected to be made by elected representatives. These attempts are largely informal outside elected institutions, through lobbying, petitioning, advice and activism, such as the nationwide demonstrations against the 2019 elections. Parallel structures of formal and informal governance are pervasive but difficult to assess. Formal authority to govern is granted to elected representatives, but a close analysis of some decisions (e.g., appointments to key government positions or removal from key government offices) suggests that informal forces sometimes sway government decisions. Nevertheless, non-elected personalities do not have effective veto powers regarding decisions made by elected officers. An example is the abortive attempt to change the electoral system from simple plurality to majority. The government came under intense pressure from civil society and international donors to enact the proposed changes. However, the government only paid lip service to the proposals and tabled a bill in parliament that the legislators of the incumbent party voted against. The February 2020 High Court ruling that annulled the 2019 presidential election also said that the correct interpretation of the definition of majority in determining the presidential election winner is 50%+1. The Supreme Court upheld this ruling. Parliament subsequently passed legislation to formalize the ruling on the 50%+1 majority threshold and this is now law. The armed forces have no record of interfering in the political arena.

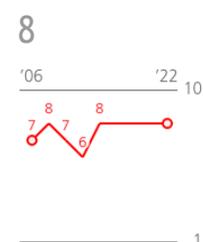
The freedoms of association and assembly are constitutionally guaranteed in Malawi, which means that individuals, civil society organizations and political parties are free to associate and organize meetings and public assemblies. The state on occasion has had the means and the will to curtail these critical freedoms in a democracy, such as declaring rallies illegal without sound justification or refusing to give permission to hold public rallies. The political climate became more liberal after the June 2020 elections, as evidenced by a series of peaceful demonstrations that have taken place without a heavy-handed response from the police. While the law clearly suggests that prospective demonstrators must give notice to the police and the district commissioner, this has often been interpreted to mean that prospective demonstrators should seek permission from the police before assembling and demonstrating.

In terms of association, using political parties as an example, the formation of political parties in Malawi is easy. The result is that many political parties have been

Effective power to govern



Association / assembly rights

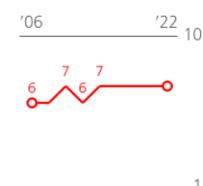


formed and registered over the years (currently about 60), even though many are dormant. The government has on occasion used its power to frustrate the efforts of new political parties to establish themselves and compete with the incumbent party. A case in point is the attempt prior to the 2019 elections to deny registration of the United Transformation Movement (UTM), spearheaded by Saulos Chilima, the former vice president, to challenge President Mutharika at the polls. While the freedoms to associate and assemble are constitutionally guaranteed, in practice they depend on the prevailing political climate, which has become more liberal after the 2020 presidential election. The onset of the COVID-19 pandemic in early 2020 brought about instances in which the government sought to curtail a number of freedoms and personal liberties. In April 2020, for example, the government tried to impose a national lockdown as a containment measure against COVID-19. However, a grouping of civil society organizations (CSOs) mounted a successful legal challenge against the proposal by arguing that it was unconstitutional unless the government decided to declare a state of emergency. However, the government was still able to introduce and enforce a number of restrictions on the size of public gatherings, closure of schools, mandating the wearing of face masks in public, and reductions in carrying capacity of public transport vehicles. Most of these measures remained in place in January 2021.

Freedom of expression is guaranteed by section 35 of the constitution. Individuals and organizations are generally free to express themselves. When asked to state how free they are to say what they think, about two-thirds (62%) of Malawians said they are somewhat or completely free to say what they think in an Afrobarometer survey conducted between December 2019 and January 2020. However, certain legal provisions provide protection against defamation (Penal Code Chapter 7:01, Laws of Malawi, Chapter XVIII) and may serve to stifle freedom of expression (e.g., Official Secrets Act, Chapter 14:01 Laws of Malawi). The Malawi Human Rights Commission was tasked to oversee the implementation and enforcement of the act. Direct government censorship in Malawi has been rolled back significantly and the post-1994 period has witnessed a flourishing environment for expression for individuals and media organizations alike. An array of community FM radio stations have been established as well as private TV channels. Open harassment of the media or individuals has almost disappeared and organizations such as the local chapter of the Media Institute of Southern Africa are an active voice of the media. The Media Council of Malawi is a body for self-regulation and promotion of professionalism in the media industry. However, the government may withhold or discontinue advertising or demand the settlement of tax arrears at short notice. The purpose might be to gag media that engage in investigative journalism to uncover reprehensible conduct by government agencies. Parallel to the increasing space for conventional media (print and electronic), there has been an explosion of social media such as Facebook, WhatsApp and Twitter. A wealth of information circulates in these media, although some of it is of dubious quality and veracity.

Freedom of  
expression

7



1

### 3 | Rule of Law

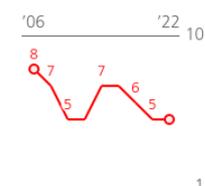
The separate status of the three branches of government – the Executive, the National Assembly and the Judiciary – is constitutionally entrenched in sections seven, eight and nine of the constitution. The specification and allocation of responsibilities throughout the constitution confirm the separation of powers and horizontal accountability between these three branches. However, the governance system in Malawi is singularly presidential and confers wide discretionary powers upon the executive president. Although President Lazarus Chakwera, who was elected in June 2020, promised to roll back some of the powers of the presidency, there has been no concrete movement toward actualizing this by January 2021.

The National Assembly cannot oust the president by means of a vote of no confidence as in a parliamentary system of governance. It is only possible through an elaborate procedure of impeachment. While the constitution underwrites the separation of powers through checks and balances, in practice the executive has in the past often overstepped its constitutional restraints and encroached on the domain of other branches of government. The failure by the executive to consistently treat the other branches of government as equal partners is tantamount to a failure of constitutionalism.

The executive's dominance is illustrated by its control over the exchequer. Meetings of the National Assembly as well as judicial operations are constrained due to inadequate funding. Recent examples of the executive's dominance relate to its reluctance to set a commencement date for several bills, years after they were passed by parliament. When Malawi registered its first cases of COVID-19, the president declared a state of national disaster in March 2020, which included a raft of measures such as closure of borders and schools and restrictions on public gatherings. However, an attempt by the government to escalate the COVID-19 measures by imposing a national lockdown in April 2020 was struck down by the courts as unconstitutional. Under section 45 of Malawi's constitution, measures that have the effect of derogating rights such as a lockdown can only be carried out under a state of emergency, which requires approval by the Defense and Security Committee of the National Assembly. As the COVID-19 infection and death rates increased sharply in January and February 2021, including the demise of two cabinet ministers, the president declared a second state of disaster and a new plan was adopted to combat the virus. Restrictions have been introduced governing social distancing, hand hygiene and wearing of face masks while schools were closed for a second time for five weeks.

Separation of powers

5

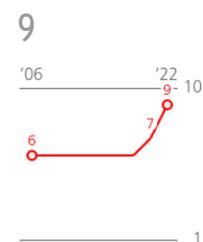


The Malawi judiciary has long enjoyed a reputation of independence. It remains the branch of government that inspires the highest level of confidence among the public. The judiciary in Malawi is guaranteed independence through several provisions in the constitution, including section 103. Generally, the judiciary has been willing to review executive decisions for compliance with the constitution and other laws. In appropriate instances, the judiciary has been able to overturn government actions for contravening the constitution or other applicable laws. However, the judiciary has struggled to maintain its independence due to a lack of financial autonomy. The executive provides its funding through allocations in the state budget. While there have been rumors of some judicial officers being swayed in their rulings, to date no judge has been publicly disciplined for corruption or any other form of dereliction of duty. The use and misuse of injunctions and stay orders illustrate how the integrity of the judiciary may be compromised when politicians “shop around” for sympathetic judges willing to issue a particular injunction. At the lower magistrate court level, corruption is somewhat more prevalent than it is at higher levels. Furthermore, magistrates sometimes erroneously impose custodial sentences for misdemeanors and thus contribute to prison overcrowding. The landmark ruling by the High Court that annulled the fraudulent 2019 presidential election – dubbed the Tipp-Ex election due to the use of correction fluid to falsify results sheets – is a historic example of judicial independence in the face of the executive branch. The Malawi Supreme Court upheld this ruling. It is also noteworthy that during 2020, the courts ruled to annul at least six 2019 legislative election results, mostly involving the then ruling DPP legislators, on account of fraud. The High Court decision to issue an injunction against the executive’s attempt to impose a national lockdown in April 2020 as one of the measures to contain the spread of COVID-19 is yet another demonstration of the Malawi judiciary’s independence.

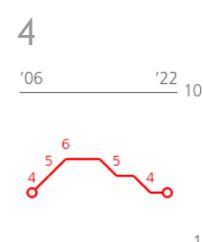
The authority to prosecute criminal offenses is vested in the Director of Public Prosecutions (DoPP) in terms of section 99 of the constitution. The Anti-Corruption Bureau (ACB) is a specialized agency for the investigation and prosecution of corrupt practices but operates under the general superintendence of the Director of Public Prosecutions.

The director of the ACB is widely perceived to be a political appointee but personalities matter and recently the ACB director has asserted himself to some extent after being given greater leeway by the executive. The DoPP is constrained when trying to prosecute office holders due to the potential political repercussions, especially if the indicted hold senior positions. The DoPP can be removed from office by the president, ostensibly for incompetence, being compromised, incapacitated or reaching retirement age. This situation compromises the independence of the DoPP and constrains the DoPP in prosecuting office holders culpable of abusing their positions or leading to inordinate delays in the prosecution process. An example is the indictment of former President Muluzi whose case is still pending. Cases have either stalled before the courts, been insufficiently investigated, or ended up in

#### Independent judiciary



#### Prosecution of office abuse



acquittals. This includes a corruption case involving a former minister of agriculture who was accused of influencing the award of a tender to purchase maize from abroad.

There have been several similar cases of corruption, including one concerning the provision of food rations to the police. Allegedly, the company that supplied the food rations colluded with procurement officers of the Malawi police service to be awarded a supply contract and then proceeded to inflate the prices after the tender had been awarded. Following the change of government in June 2020, there has been a renewed drive to empower the ACB to investigate and prosecute more high-profile cases of corruption involving senior officials from the former DPP government. In the revised 2020/2021 national budget, the ACB was allocated a full complement of its budget request. Two former cabinet ministers during the DPP administration were prosecuted, convicted and sentenced to imprisonment for corruption. It remains to be seen, however, if the new Tonse government will empower the ACB to investigate and prosecute corruption cases committed by its own members.

The bill of rights in Malawi's constitution is one of the most comprehensive catalogs of rights contained in any constitution. This includes the right to life, education, culture and language, the right to own property, the right to development, freedom of association, freedom of opinion, freedom of expression and freedom of the press among several others. The constitution further guarantees the right not to be subjected to cruel and inhumane treatment or punishment and prohibits discrimination on several grounds that include gender, sexual orientation, religion, ethnicity and race. From a normative perspective, there are thus sufficient guarantees to protect a range of rights. Malawi is a signatory to the International Covenant on Civil and Political Rights and reports regularly to its oversight body. To ensure enforcement of these rights and freedoms, the constitution established the following institutions, in addition to the courts, to promote and protect civil rights: the Ombudsman (section 120); and the Human Rights Commission (section 129). The constitution also provides in section 46(2) that any person whose rights have been violated has the right to seek out any court, the Ombudsman or the Human Rights Commission for redress. The major shortcoming in seeking redress for rights violations lies in the time it takes the government to comply with the determinations that grant compensation to victims. Even if a wronged person has obtained a judgment ordering payment of compensation for violation of civil rights, it is uncertain whether the person would receive the compensation in reasonable time. Often, there is a considerable lag between obtaining a judgment and receiving compensation. There have been reports about individuals living with albinism being murdered and dismembered for the use of their body parts in rituals. There have also been reports of prisoners and crime suspects being tortured, and deaths occurring in police custody. Female suspects have reportedly been raped by police officers while in police custody.

Civil rights

6

'06 '22 10

7  
6

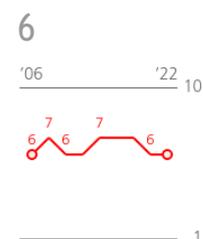
1

#### 4 | Stability of Democratic Institutions

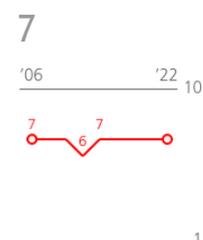
Malawi has all the trappings of a democratic system of governance, established by constitutional provisions and subsidiary legislation. These trappings include, in the first instance, the three branches of government: the Executive, the National Assembly and the Judiciary. In addition, there is a host of related institutions such as the Electoral Commission, as well as institutions of restraint including the Anti-Corruption Bureau, the Human Rights Commission and the Office of the Ombudsman. However, their functioning is erratic at times and not always consistent with their legal mandates. For example, the Electoral Commission has often been criticized harshly over the years and performed unacceptably in the management of the 2019 elections. The executive tends to overstretch itself despite its wide legal mandate, and thus diminish the stipulated roles of the other branches. The National Assembly is prone to partisan maneuvering, which is typical of such institutions globally, but usually arrives at compromise solutions. Its committees work reasonably well. The judiciary is probably the democratic institution that performs best among the three branches as exemplified by the recent ruling on the 2019 presidential election. That said, democratic institutions are generally accepted as legitimate, even though the execution of their mandates is sometimes compromised, to some extent due to underfunding. Between the central and lower tiers of government, the main area of contention has been the lack of clearly defined devolution of functions and decision-making powers from the central level to subnational entities – whether elected or appointed. The fact that local governments were in limbo for a decade, because local elections were not held, weakened local authorities. There is a glaring discrepancy between the devolved tasks and commensurate funding to implement decisions made at local levels. Power remains concentrated at the central level. This situation tends to breed inefficiency, corruption and abuse of office.

Most democratic institutions are accepted as legitimate by most relevant actors. Political parties, though numerically prolific, have limited influence because many of them are dormant and not represented in either the National Assembly or in other administrative structures. The clergy continue to speak out against government excesses and exert influence through the Public Affairs Committee. From time to time, faith-based organizations (FBOs) issue pastoral letters or statements on salient issues, such as corruption, significant policies or electoral matters. The authoritative redefinition of the term “majority” to mean at least 50% plus one vote in the 2020 judgment of the High Court entirely changed the electoral system and is likely to confer legitimacy on the new practice as applied in the fresh 2020 presidential election. The armed forces have no tradition of interfering in politics, unlike the police, which often constrain political activity as evidenced during the 2019 demonstrations, while the army actually protected the rights of demonstrators.

Performance of democratic institutions



Commitment to democratic institutions



The clergy continue to speak out against government excesses. From time to time faith-based organizations publish pastoral letters or statements on salient issues, such as corruption, significant policies or electoral matters. The president has a dedicated adviser on religious affairs. However, some members of the clergy and civil society have been accused of colluding with the government in return for money.

The fact that President Peter Mutharika was elected with only 36% of the vote continues to be used to undermine his legitimacy, especially among opposition ranks.

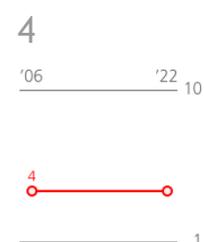
## 5 | Political and Social Integration

Political parties in Malawi, although numerous, have only shallow social roots in the electorate and weak institutional structures. Clientelism remains prevalent and many political parties coalesce around ethnic identities or the personality of a key founding member who may also be the primary source of funding. It is hard to distinguish between ideological orientations espoused by various political parties. Party manifestos ahead of elections generally contain promises of economic growth, better social services and governance free of corruption. Voters tend to rally around political parties based on regional bases or clientelism rather than ideological preference.

The party system in Malawi remains highly fragmented with about 60 registered parties, although many are dormant. In reality, there are only a handful of parties that would qualify as “relevant,” namely the MCP, the DPP, the UDF and the UTM. The party structure largely reflects the predominance of ethnic-cum-regional cleavages, in combination with strong (and wealthy) personalities as party leaders. As a result, Malawian politics are orientated toward personalities rather than ideology or policy issues. Electoral success depends heavily on networks of clientelism and patrimonialism, not on impressive and comprehensive election manifestoes.

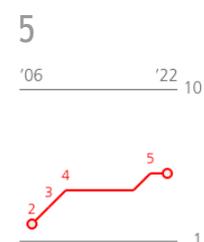
Section 65 of the constitution appears not to have deterred defections. This section states that if a member of parliament defects from the party on whose ticket he/she was elected, the Speaker of the National Assembly may declare his/her seat vacant and call for a by-election. Vice President Chilima decided to leave the ruling party in early 2018 to form his own new political party – the UTM. He was followed by several supporters of the incumbent party, including a number of legislators. The lack of clear ideological differences among Malawi’s main political parties results in an electorate that is volatile and uncommitted. A recent national survey found that 38% of Malawians said they did not belong to any political party. Even among those who profess membership of a political party, public opinion surveys have shown that attachment to parties is never permanent and many change support from one party to another at regular intervals.

Party system



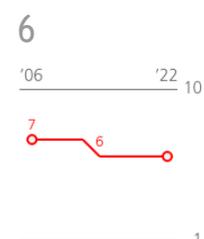
Many interest groups are active in Malawian society. One of the oldest and most active is the interfaith and interdenominational Public Affairs Committee (PAC). Formed in 1992, PAC comprises faith-based organizations (FBOs) across mainstream Christian denomination (Catholic, Presbyterian and Anglican) and Pentecostal groupings as well as Muslims. PAC is vocal on political issues and draws particular attention to corruption and governance. It has also been involved in mediation between the government and CSOs. Other interest groups are issue-based and have emerged in response to particular challenges. In times of crisis or fierce political struggle, interest groups and forces tend to coalesce around common objectives. A similar CSO coalition under the banner of Human Rights Defenders' Coalition (HRDC) organized demonstrations to protest the management of the 2019 elections and called for the removal of the then chairperson of the Electoral Commission over her alleged poor leadership in managing the elections. HRDC has continued to advocate for better governance even after the change of government following the June 2020 fresh presidential election. Many coalitions are ad hoc and disband after their objectives have been met. In the private sector the Malawi Confederation of Chambers of Commerce and Industry (MCCCI) articulates the interest of private businesses, particularly on policies affecting the economy. Trade unions and professional associations exist but they do not exert much influence on a regular basis. Employees in manufacturing, agriculture and the public sector are generally subservient. Ethnic associations have been formed such as the Mulhako wa Alhomwe, established in 2008 by the late president Bingu wa Mutharika to preserve Lhomwe customs, beliefs and language. Other ethnic associations include the Chewa Heritage Foundation; Chiwanja cha Ayao; Mdauku wa Tonga; Mzimba Heritage Association; Tumbuka Heritage and Mgumano wa Asena na Amang'anja. Although ethnic associations do not feature prominently in the political landscape, they contribute to maintaining and strengthening ethnic identities.

#### Interest groups



The levels of trust among the population remain high in most parts of the country. Community-based groups are found in many areas in support of common objectives (e.g., the care of orphans or the construction of village facilities). As a system of governance, democracy retains high approval ratings in Malawi, although the numbers have been declining. A survey conducted in December 2019-January 2020 showed that 51% of Malawian respondents supported democracy, down 20 percentage points from 2017; 77% rejected presidential dictatorship, 63% rejected one-party rule, and 83% rejected military rule. However, only 30% of Malawians reject all three authoritarian forms of governance while at the same time expressing full support for democracy. Malawians subscribe to the idea that decision-making must be preceded by broad consultation. Ironically, while democracy as a system of governance scores well, the same cannot be said about democratic output performance. In the survey cited above, only one-third (34%) of Malawians expressed satisfaction with the performance of democracy in the country. Perceptions abound that democratic norms have been subverted by successive leaders, who have furthered

#### Approval of democracy

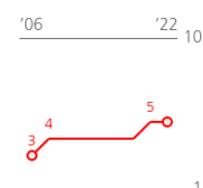


their own personal or narrow political interests to the detriment of the common good. The level of trust in democratic institutions varies. For example, among the three branches of government, the judiciary scores highest in terms of public trust (68%) while the executive scores lowest (43% public trust). The National Assembly scores somewhere in between. A new optimism appears to have emerged after the 2020 election of a new leadership not tainted by the history of previous autocrats. The outbreak of COVID-19 has, meanwhile, contributed to the widespread perception that political leaders are enriching themselves with resources meant to fight the pandemic.

Incentives for cooperation are provided by various government programs but also through foreign NGO support. Voluntary organizations within many communities are formed around particular issues. For example, care for the environment may lead to organized tree planting, assisted by CSOs, in order to enhance environmental sustainability. Similarly, local communities, particularly in urban areas, organize informal neighborhood policing to counteract crime. As a matter of routine, when someone passes away in a local community neighbors attend the funeral and often contribute food even if they did not know the deceased. Similarly, neighbors usually visit sick people in hospitals. At the same time, however, the prevalence of abject poverty in many parts of the country increasingly leaves local populations to fend for themselves. Even so, the levels of solidarity and social cohesion remain considerable and buttress voluntary associations, even if poor people only have their own labor to contribute. The adverse effects of the COVID-19 pandemic generated and manifested social capital.

Social capital

5



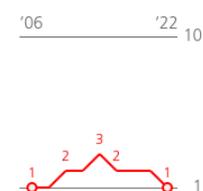
## II. Economic Transformation

### 6 | Level of Socioeconomic Development

Malawi's predominantly agrarian economy remains extremely vulnerable to external shocks and is impeded by structural constraints. The Global Risks Report 2020, while not ranking countries in terms of susceptibility, singles out climate-related risks that are likely to worsen. This certainly pertains to Malawi, which lacks adaptive capacity. The COVID-19 pandemic causes disruption in most economic and social sectors and will exacerbate the situation and dampen economic growth. The persistently high population growth rates further aggravate the situation. According to the latest census, the total population of Malawi was 17.6 million in 2018, compared to 13 million 10 years previously, representing a 35% increase. Owing to the high population growth rate, real per capita GDP growth has remained sluggish at 1.5% per annum over the past two decades. The Human Development Index (HDI) highlights Malawi's dire economic situation. With an HDI value of 0.483, Malawi

Question  
ScoreSocioeconomic  
barriers

1



was ranked number 174 out of 189 countries in 2019, which confirms that Malawi is one of the world's poorest countries. According to the Malawi Poverty and Vulnerability Assessment, the poverty rate declined from 54% in 1998 to 52% in 2005 and further to 51% in 2011. The World Bank put the 2019 international poverty rate (\$1.9 in 2011 PPP terms) at 68.6%. Consumption inequality remained stable with a Gini coefficient of 0.39 in the period 2005 to 2011 but worsened to 0.43 by 2013. Poverty is worst in rural areas and in the southern region, while inequality is highest in urban areas. Deep poverty inhibits participation in the broader economy and society and makes poor voters vulnerable to populist manipulation by politicians. Access to opportunities may depend on one's ethnic identity and connections to ethnic kin. Gender is also a key factor, reflected in the fact that women occupy few influential positions in society. Even though some improvements are notable, patriarchy remains a predominant social paradigm in Malawi. The country ranked 142 out of 189 countries on the UN Gender Inequality Index with a value of 0.565 in 2019. The Mo Ibrahim African Governance Index put Malawi at 33 out of 54 African countries in terms of gender rights in 2019, with a 45.3 score of a possible 100, a surprising deterioration of -12.4 over the 2010-2019 period.

Economic indicators		2017	2018	2019	2020
GDP	\$ M	8787.6	9713.0	10862.6	<b>11961.8</b>
GDP growth	%	4.0	4.4	5.7	<b>0.8</b>
Inflation (CPI)	%	11.5	12.4	9.4	<b>8.6</b>
Unemployment	%	5.7	5.6	5.6	<b>6.0</b>
Foreign direct investment	% of GDP	1.0	1.0	0.9	-
Export growth	%	-	-	-	-
Import growth	%	-	-	-	-
Current account balance	\$ M	-1537.4	-1618.1	-1837.4	-
Public debt	% of GDP	41.5	43.9	45.3	<b>54.7</b>
External debt	\$ M	2162.4	2265.7	2428.7	<b>2943.3</b>
Total debt service	\$ M	71.2	84.1	98.5	<b>103.4</b>

Economic indicators		2017	2018	2019	2020
Net lending/borrowing	% of GDP	-2.2	-4.2	-4.4	<b>-6.2</b>
Tax revenue	% of GDP	12.4	12.4	12.2	<b>11.9</b>
Government consumption	% of GDP	-	-	-	-
Public education spending	% of GDP	4.0	3.4	3.7	<b>2.9</b>
Public health spending	% of GDP	3.0	2.7	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	0.8	0.8	1.1	<b>1.1</b>

Sources (as of December 2021): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

## 7 | Organization of the Market and Competition

In principle, there is space for free market competition in Malawi. Laws have been adopted to buttress market-based competition. Pursuant to the Public Enterprises (Privatization) Act of 1996, the government initiated a privatization program and established in 1997 the Privatization Commission to implement it by divesting its interest in parastatals. In practice, however, the government often still intervenes in critical areas to regulate the market. It has not been uncommon for procurement procedures to be flouted in favor of businesses close to the incumbent government. Establishing a business in Malawi is cumbersome and burdensome, as it takes, according to the World Bank's 2020 Doing Business report, seven procedures, 37 days and costs of 32.5% of GNI per capita. This places Malawi at a low rank of 109 out of 190 economies in the sub-index "Starting a Business." The currency market is controlled by the government through the Reserve Bank of Malawi. To convert currency, one needs to use an approved dealer or one of the commercial banks. However, there is a thriving black market for foreign currency transactions, which is popular with informal cross-border traders. Due to limited opportunities in a stagnant formal sector, Malawi's informal economy has experienced a rapid expansion, attracting a large number of young people and women. Data from the most recent Labor Force Survey (2013) shows that 89% of employed persons in Malawi are engaged in informal employment, with the highest in rural areas (91%) as opposed to urban areas (69%).

Market organization

4

'06 \_\_\_\_\_ '22 10

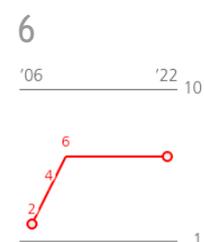


1

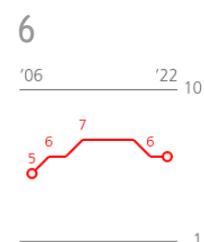
Malawi passed the Competition and Fair Trading Act in 1998, which established the Competition and Fair Trading Commission (CFTC) as the body mandated to regulate competition and prevent the emergence of monopolies and cartels. The competition policy primarily covers the reduction of restrictive unfair business practices and the promotion of consumer protection in general. In terms of sequence, however, market liberalization occurred sometime before the establishment of the regulatory authority to monitor competition. The CFTC started at a rather slow pace but has since become fully operational and assertive in its role. While the performance of the CFTC has improved over the years, questions remain as to whether the organization has sufficient capacity to oversee complex mergers and takeovers. Predating the CFTC Act is the Malawi Competition Policy, which was adopted in 1997. Its stated primary goal is to ensure that consumers are adequately protected from firms, whether large or small, engaged in exploitative pricing collusion or collusion that is intended to prevent competition. In addition to the CFTC Act and the competition policy, Malawi has several other legal instruments that directly or indirectly seek to safeguard and protect a competitive trading environment. These include the Consumer Protection Act (2003) and the Sale of Goods Act (1967). As an NGO, the Consumer Association of Malawi vigilantly monitors the pricing of goods and services and maintains an articulate posture in the media. The country is also a signatory to several international protocols that seek to promote a competitive trading environment. These include the Southern African Development Community (SADC) Declaration on Regional Cooperation in Competition and Consumer Policies, which was adopted in 2009, and the Common Market for Eastern and Southern Africa (COMESA) Competition Regulations (2004). Malawi is engaged in the SADC initiative to establish a general competition framework by 2020.

As part of the Structural Adjustment Programs (SAPs) in the 1980s, the Malawian economy was liberalized to some extent. However, foreign trade is still subject to foreign exchange and export controls. Even so, smuggling is rampant across borders to Tanzania and Zambia, which defies revenue collection by the Malawi Revenue Authority. The third Malawi Growth and Development Strategy (MGDS III), covering the period 2017 to 2022, reaffirms the government's commitment to foreign trade promotion. The country's imports far exceed its exports, leading to a perennial foreign trade deficit. Malawi is landlocked and dependent on transport routes via Mozambique, Tanzania and South Africa. As a member of the SADC, Malawi emphasizes regional trading and reinforced trade links with its neighbors. Malawi has been a member of GATT since 1964 and of the WTO since 1995. The country participates in WTO deliberations and has adopted many WTO standards. Malawi has also been negotiating with the European Union on economic partnership agreements (EPA). The simple average of the most favored nation (MFN) applied total tariff for Malawi in 2017 was 12.4%.

### Competition policy



### Liberalization of foreign trade



The banking sector is overseen by the Reserve Bank of Malawi. The sector currently consists of 12 commercial banks. However, the market is dominated by two commercial banks, the National Bank of Malawi and the Standard Bank (Malawi), while many of the other commercial banks are significantly smaller. The Reserve Bank of Malawi as the country's central bank launched the applicability of the Basel II requirements in Malawi in 2014. These requirements reflect the second international banking regulatory accords negotiated by the Basel Committee on Banking Supervision. They are based on three main pillars: (a) minimal capital requirements; (b) regulatory supervision; and (c) market discipline. Minimal capital requirements obligate banks to maintain minimum capital ratios of regulatory capital over risk-weighted assets. The central bank is charged with supervision. At present, indications are that all commercial banks in the country are Basel II compliant and the industry is geared to move on to Basel III, which has since been negotiated but not yet implemented across all countries. In 2018, Malawi's commercial banks recorded increased capital adequacy ratios. In 2017, the central bank's capital to assets ratio was 15.6%. Non-performing loans decreased from 10.3% in 2016 to 8.6% in 2017. The commercial banking sector remains profitable and resilient. Bank lending to the private sector remains weak, however, despite increased demand, in spite of the COVID-19 pandemic as reported in the most recent Bank Lending Survey (BLS). However, there is a trend toward short-term loans. Small and medium enterprises account for most of the non-performing loans. Limited growth in lending to the private sector is primarily due to high interest rates. In order to balance the national budget, the government has increased its domestic borrowing from private banks. Only 10% of Malawi's population has access to formal financial services, reflecting the high incidence of poverty, high degree of informality, and a high proportion of the population in rural areas.

#### Banking system

7



## 8 | Monetary and fiscal stability

Malawi's inflation rate over the five-year period between 2015 and 2020 has averaged 14.37%, with a maximum of 21.87 in 2015 and a minimum of 9.31% in 2020. The annual inflation rate in 2020 was higher than the projected rate of 6.1% as presented in the 2019/2020 budget statement. The relatively higher actual inflation rate for 2020 was attributed in part to the negative effects of COVID-19 on the economy. The Reserve Bank of Malawi is nominally independent but, in practice, since its leadership is politically appointed, it remains vulnerable to political influence. Immediately after becoming president in June 2020, President Chakwera fired the then Reserve Bank Governor, Dalitso Kabambe. The administration of Joyce Banda decided in mid-2012 to float the Malawi kwacha with the result that it immediately lost significant value against major currencies. Malawi's real effective exchange rate in 2020 averaged 86.2, down from 100 ten years before. Overall, the government maintains its influence over the country's foreign currency policy, which, in turn, affects the inflation rate. Recently, the inflation rate has fallen

#### Monetary stability

6



considerably and has hovered slightly above 9% since 2017. The current inflation rate faces upward pressure from increasing maize, fuel and utility prices. As food items feature significantly in the inflation rate, future developments will depend to a large extent on the harvest after the relevant growing seasons.

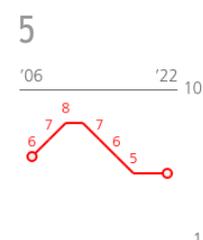
The government's long-term development strategy was laid down in Vision 2020. Lacking operational content, Vision 2020 left little imprint on policy formulation and exerted minimal influence on the country's development trajectory. In the wake of the adoption of Vision 2020, medium-term development agendas and strategies have been formulated. The recently launched third and latest MGDS III covers the period 2017-2022. In January 2021, the National Planning Commission (NPC) launched Malawi 2063, the successor to Vision 2020. It outlines aspirations toward 2063, the centenary of Malawi's independence and the deadline of the African Union's Agenda 2063.

Malawi 2063 hinges on three pillars – (a) agricultural productivity and commercialization; (b) industrialization; and (c) urbanization – as enablers for economic independence, inclusive wealth creation, self-reliance and quality of life for all. Presuming an annual economic growth rate of 6%, the document envisages the transformation of Malawi into an “upper middle-income country” with an annual income of \$4,000 per citizen by 2063. Malawi remains dependent on international aid, especially after the “Cashgate” corruption scandal when many donors scaled back their aid programs and suspended budget support. While the MRA collected an impressive 96.5% of its target in the former half of the 2020/2021 fiscal year, expenditure pressures continue to rise, especially as a result of the COVID-19 pandemic. The government has resorted to predominantly domestic borrowing to finance budget deficits. Total public debt stood at 59.4% of GDP in 2019, projected to rise to 72.5% in 2021, according to the World Bank. It is a source of serious concern that public debt servicing claims about 22% of the budget. The overall result is that the country's fiscal and debt policies have not been conducive to macroeconomic stability, especially long-term. The legacy of previous governments is likely to exacerbate the debt situation. The gross official reserves are projected to cover 4.2 months of imports in 2021.

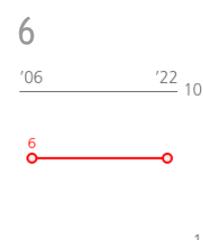
## 9 | Private Property

Private property rights are well protected in the country and the regulations on the acquisition, use and sale of property are well defined. There are clear laws regulating acquisition of all forms of property including real estate and chattels. The conditions on which property rights can be interfered with are clearly defined in the constitution. However, special rules apply to the selling and registering of land, as this is a particularly important asset in a predominantly agrarian economy. The general rule for selling land is that where property is offered to a non-citizen, priority should be

Fiscal stability



Property rights



given to a Malawian, provided he/she is willing to pay the asking price. This means that if land is being sold to a non-citizen, the seller should first advertise in national newspapers. Only if no citizen is willing to pay the asking price can the transfer be completed to the foreigner. The World Bank Doing Business Index reveals that it takes on average 69 days to register property in Malawi. This is primarily due to bureaucratic obstacles within the governance system. Although rules exist for the disposal of property, in most of rural Malawi, property ownership and disposal follow traditional rules and customs that are usually determined by family systems. In the country's patrilineal societies in the northern region and southern tip of the country, property is passed through the male line. This often puts females in a precarious position with limited technical or property ownership. It is especially precarious in the event of the death of a husband. In the matrilineal societies of central and much of southern Malawi, property ownership and disposal follow the female line, which has the opposite effect in terms of security of ownership for males.

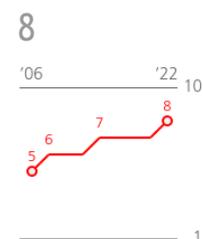
Private companies are recognized as engines of economic growth. Government rhetoric implies that it will consistently implement policies to support private companies. The law protects private companies from arbitrary exploitation and expropriation by the government. Privatization processes are regulated by law and have, by and large, adhered to the law. The World Bank Doing Business Report 2020 gave Malawi a score of 60.9 out of a potential 100 on the ease-of-doing-business indicator. This represents an increase of 1.31 points from the 2019 score of 59.59 and ranked Malawi 109 out of the 190 countries surveyed. The same report indicated that it takes 47 days to register a new business through six procedures. However, the latter is expected to improve with the electronic innovations being piloted by the office of the registrar general.

## 10 | Welfare Regime

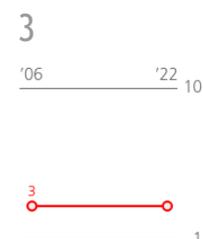
Malawi has no formal social security system that covers the entire country and all its citizens. However, in the formal sector, a National Social Security Fund (NSSF) (a provident fund for pension purposes) exists to which employees and employers make contributions based on wage levels. The government and non-governmental organizations operate programs that provide social safety nets for the vulnerable. These initiatives come in many forms, but the principal form delivered by the government is local food-for-work programs. Vulnerable communities are encouraged to participate in these programs and are rewarded with food in return for labor. Faith-based organizations also engage in charitable activities semi-permanently or ad hoc when needs arise. Traditional Malawian societies have always maintained informal social security networks based on kinship or other relationships.

However, these networks are informal, and their sustainability is fragile. The current COVID-19 pandemic adds strain on families, civil society organizations as well as the government to address acute social needs. When the government attempted to

### Private enterprise



### Social safety nets



impose a national lockdown to contain the spread of COVID-19 in April 2020, urban Malawians took to the streets to protest the proposal, which was being championed without corresponding offers of safety net support to the thousands of Malawians who depend on trading in the informal sector. Although the government promised to provide some cash payments to the informal sector actors, the actual payments did not start until February 2021. While the Farm Input Subsidy Program targeted about 900,000 poor farm families, the Affordable Inputs Program was expanded to target 4.2 million farm families, who were given the opportunity to purchase seed and one 50kg bag of basal dressing fertilizer and another bag of top-dressing fertilizer at a subsidized price of MWK4,495 (about \$6) per bag of fertilizer. The Affordable Input Program (AIP) thus had the effect of increasing the number of Malawians receiving government support.

Overall, Malawi's literacy rate is 62.1% according to World Bank Indicators, somewhat lower for females (55.2%) than males (69.8%). There has been a marked improvement in school enrollment. But the levels of enrollment at primary, secondary and tertiary levels reveal significant gender gaps. Traditionally, males have enjoyed greater access than females to education. The ratio of females to males was 1.0 at the primary level, which means complete equality. At the secondary level it dropped to 0.8, which suggests that fewer girls than boys were enrolled, while the ratio was 0.6 at the tertiary level, meaning that there were almost twice as many males enrolled as women. Government programs over the past 20 years have actively sought to achieve a better gender balance with modest success. There are also regional disparities: the educational level is highest in the northern region, primarily a legacy of missionary schools. Traditionally, men have dominated the formal labor force, although in smallholder agriculture, women perform the bulk of the work. In 2020, 48.7% of the total labor force was female. The Gender Equality Act was adopted in 2012. It requires government agencies and departments to recruit no less than 40% and no more than 60% of either gender. While this act has yet to be fully implemented, it charts a direction toward full parity in the recruitment of men and women, especially within government departments. However, as equality of opportunity in the labor market is largely a function of the level of education, the gender disparity within the educational system will be reproduced in the labor market.

Equal opportunity

5

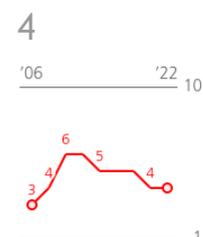
'06 '22 10



## 11 | Economic Performance

According to the World Bank, Malawi's GDP per capita was \$411.6 in 2019, or, when adjusted by purchasing power parity (PPP), \$1,106.6. This represented a slight increase from 2017 when it stood at \$1,095. The 2019 per capita GDP figure compares unfavorably against the global GDP per capita PPP average of \$18,381. This comparison shows that the economic situation in Malawi is dire. This situation persisted, notwithstanding the fact that the economy grew by an estimated 4.4% in 2019, an increase from 3.5% in 2018. The increase resulted from a rebound in agricultural production (maize and tobacco). Other World Bank indicators suggest that there is little prospect for improvement in the economic outlook of the country. The country needs significant economic growth in order to improve the economic outlook, close to 6% per annum. Officially, unemployment stood at 6.0% in 2020 according to the World Bank. The private sector is critical for a favorable growth scenario, and there needs to be a substantial injection of foreign investment. However, the economic environment remains inconducive to attracting foreign investors, despite Malawi's considerably improved position in the World Bank's Ease of Doing Business Ranking over the past few years, from 164 out of 189 countries worldwide in 2015 to 109 in 2019 with a score of 60.9. The 2018 Malawi Business Climate Report by the Malawi Confederation of Chambers of Commerce and Industry (MCCCI) listed the cost of finance, the cost and irregularity of electricity supply, and telecommunications as the most important obstacles to doing business. These were followed by crime; ineffectiveness of parliament to enact relevant laws and bureaucracy; taxation; and erratic water supply. The reduction in lending interest rates by credit institutions in 2018 was not substantial enough to encourage increased private sector borrowing because the rate was still very high, around 24%. High charges for utilities such as electricity and water, compounded by irregular supplies have seriously hampered production. The current COVID-19 pandemic has battered the economy to the extent that GDP grew by a paltry 0.9% in 2020.

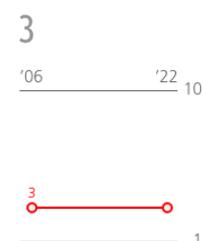
Output strength



## 12 | Sustainability

The Environment Management Act of 1996 and concomitant regulations require that environmental concerns be taken into account in both macro and microeconomic policies. In practice, however, the enforcement of legal standards has been inconsistent and often subjected to short-term political expediency. The planned Salima-Lilongwe Water Project to supply drinking water from Lake Malawi to the capital city, Lilongwe, is a case in point. It has surfaced that the project contract for its implementation with a South African company was signed before a proper environmental and social impact assessment (ESIA) could be conducted, in contravention of the law. All projects of this nature are legally required to conduct an ESIA. The project's cost estimates have hovered at about \$500 million and spurred

Environmental policy

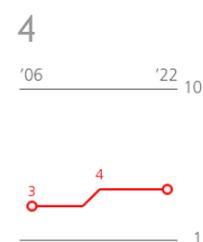


some controversy. The World Bank has questioned its cost-effectiveness and its financial sustainability in view of Malawi's debt burden. Malawi's deforestation rate is ranked fourth in the world, second in Africa and highest in the SADC region. In 2017, government estimates suggested that Malawi's forests were being depleted at a rate of 1.8-2.6% annually, primarily for purposes of charcoal burning, firewood timber and agricultural encroachment. Recognizing the severity of the deforestation rate, as from 2017 the government has deployed army units to undertake 24-hour patrols of the country's major forests, with authorization to arrest loggers and confiscate their equipment. Some CSOs have taken up tree planting to counteract deforestation.

Malawi's education policy is adversely affected by the country's economic woes. The most recent data from the UNDP's Education Index for Malawi scored Malawi at 0.470 in 2019, up from 0.328 in 2018. In the 2020/2021 national budget, education was allocated 21.6% of the national budget, a massive increase over previous years. Malawi has taken some positive steps to strengthen this sector. The country introduced free primary school education in 1994, which immediately raised enrollment rates in primary schools for girls and boys alike. However, the government was to some extent unprepared for the resultant massive influx of pupils as it had insufficient schools and teachers to accommodate the increasing number.

According to the fifth Integrated Household Survey (2019/2020), the proportion of the Malawi population aged 15 years and above that was literate had reached 75.5%, indicating significant improvements from 72.8% found by the survey in 2016/2017. However, the transition rates to secondary and tertiary levels are low. Transition challenges are partly due to insufficient secondary schools and facilities at institutions of higher learning, coupled with low affordability of tuition fees and inadequate accommodation. The poor quality of education at lower levels of the educational system sometimes leads to high failure rates at secondary and tertiary levels. The main public university is the University of Malawi (UNIMA) comprising four constituent colleges (Chancellor College; the Polytechnic; Kamuzu College of Nursing; and the College of Medicine). A major educational and research facility catering for the agricultural sector is the Lilongwe University of Agriculture and Natural Resources (LUANAR), a recent merger of a previous UNIMA college and the Natural Resources College. While all UNIMA colleges are located in the central or southern regions, the University of Mzuzu (MZUNI) is located in the north. The Malawi University of Science and Technology (MUST) was launched in 2012 and took in its first students in 2014. Recent years have seen the proliferation of private universities to supplement public institutions, some affiliated with religious institutions. The attention to research is unsystematic and the government's allocation of funds to support research endeavors is grossly insufficient. The National Commission for Science and Technology (NCST) is mandated to coordinate research activities in the country. Most research taking place in universities is commissioned work that is dependent on foreign funding.

Education policy /  
R&D



## Governance

### I. Level of Difficulty

Malawi faces extreme and widespread poverty. The government is the single largest employer in the formal sector, as the private sector remains small. Little progress has been made since independence to substantially mitigate the effects of Malawi's landlocked position.

The country suffers from serious infrastructure shortcomings, exemplified by the road network. The cost of long-distance transport is considerable, making imported goods more expensive to Malawians and exported goods more expensive to trading partners. The lack of a good and extensive road network has adverse effects on the country's agricultural sector as farmers in rural areas are constrained in transporting their produce to markets and procuring essential inputs. In terms of climate change, Malawi is highly vulnerable to extreme weather events such as floods, droughts and strong winds that on occasion cause natural disasters. Recurring disasters reduce economic growth as considerable resources are diverted to emergency operations under the management of the Department of Disaster Management Affairs (DoDMA) which is the government agency responsible for coordinating the implementation of disaster risk management programs, often with financial assistance from abroad.

A rapidly increasing population has also caused people to settle in some areas prone to flooding. The COVID-19 pandemic has brought about a further strain on Malawi's economy. The country registered its first cases of COVID-19 on April 2, 2020. By the end of 2020, the total number of confirmed cases stood at 6,583, with 189 deaths. However, from January 2021, there was a spike in both new cases and deaths, putting further strain on Malawi's overburdened health system. Although the new government of Lazarus Chakwera was elected on an ambitious program, the government was forced to abandon many of its manifesto promises in order to prioritize fighting the pandemic. These structural constraints thwart economic growth, which, in turn, reduce the revenues available for the government to stimulate economic activities and promote development. Although the COVID-19 pandemic is not a structural constraint, strictly speaking, it adds to the resource burden of the government.

Structural  
constraints

8

'06 '22 10

-9 8

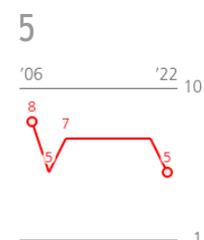
1

1

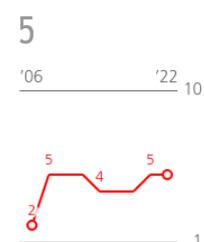
A multitude of civil society organizations (CSOs) play a prominent role in the governance realm, acting primarily to scrutinize the government and to participate in the public debate. Registered and regulated by the NGO Board in terms of the Non-Governmental Organizations Act of 2000 and coordinated under the umbrella of the Council for Non-Governmental Organizations in Malawi (CONGOMA), they comprise a mixed bag. Some are extensions of foreign CSOs from whom they receive funding. Others are genuinely domestic even though they may also rely on foreign funding. The faith-based organizations represent genuinely domestic civil society engagement. Based on a high level of social trust, localized community-based organizations (CBOs) abound. While many CSOs engage in lobbying on policy issues, others engage in development activities at the grassroots level, and provide services in such sectors as education, health and water supply. For example, in the health sector the Christian Health Association of Malawi (CHAM), affiliated with the Catholic Church, provides about 40% of all health services in the country, though in close collaboration with government health facilities. Whether domestic or foreign, CSOs do exert some influence but their entry points and channels of influence vary. Interaction with government institutions is usually ad hoc and often based on personal networks. Generally, civil society has increasingly asserted itself in recent years. The massive protest demonstrations against the fraudulent 2019 presidential elections, organized by the Human Rights Defenders' Coalition (HRDC), provide an example of civil society influence. The president has a special adviser on civil society affairs who liaises with CSOs. The government's relationship with civil society is ambivalent, depending on the nature of their engagement. The recent appointment of one of the two top leaders of the HRDC as a minister in the cabinet is perhaps indicative of a less conflictual relationship with civil society.

The main cleavage in Malawian politics is ethnicity. All major political parties appeal to ethnic identity as a basis of mobilization. Excepting the 2009 elections, electoral support tends to follow regional cum ethnic lines. The ethnic nature of political parties means that the incumbent party has invariably practiced politics that overtly or covertly favor the ethnic group of its leadership. There have been isolated incidents of violence during election campaigns that stem from the ethnic nature of the political system, as well as from other cleavages such as religion. Discontent simmers under the surface and may emerge if grievances are not addressed. Malawians generally abhor violence, but their patience may run out. The fact that more than 50% of Malawians are under the age of 18 has inserted a new dynamic. Young people tend to be more impatient than older generations and less subservient to authority. The issue of land is particularly sensitive, as evidenced by the recent emergence of the People's Land Organization in the Thyolo and Mulanje districts in the southern region, notwithstanding the fact that it did not garner much traction elsewhere in the country. The current president and vice president hail from the central and southern regions, respectively. They seem determined to bridge cleavages based on regional cum ethnic identities.

#### Civil society traditions



#### Conflict intensity



## II. Governance Performance

### 14 | Steering Capability

Successive governments in Malawi have set general priorities but failed to adopt specific policies followed up by consistent implementation in line with the strategic, long-term objectives. The principal example is Vision 2020, which lacked discernible results at its expiry by the end of 2020. The most recent MGDS III, covering the period of 2017 to 2022, does not impose a strict order of priority. It sets out five broad priority areas: (i) agriculture, water development, and climate change management; (ii) education and skills development; (iii) transport and ICT infrastructure; (iv) energy, industry and tourism development; and (v) health and population.

The government's inability to follow through on development initiatives is largely a function of resource constraints but also in some measure lack of consistent political commitment by successive governments to continue the policy initiatives of previous administrations. Instead, new leaders often start their own pet projects while abandoning those of their predecessors. In addition to political and policy vacillation between incumbent administrations, diverging donor priorities have frequently contributed to inconsistency. This is particularly notable in the education sector that has seen the adoption and abandonment of several curriculum review initiatives driven by various donors. Given Malawi's high dependence on foreign aid, the government has been compelled to change policy course in return for promises of further aid.

A new long-term successor strategy to Vision 2020 was adopted in early 2021 – Malawi 63. Its lofty ambition is to transform Malawi into a God-fearing and secure nation, democratically mature, environmentally sustainable, self-reliant with equal opportunities for and active participation by all, having social services, vibrant cultural and religious values and a technologically driven middle-income economy. It remains to be seen whether such a follow-up will ensue.

The COVID-19 pandemic has no doubt influenced priorities in favor of the health sector as infection, hospitalization and death rates have surged. Emergency allocations of considerable magnitude have been released to counteract the pandemic but a large proportion has regrettably been spent on various allowances. Given existing revenue constraints, the addressing of COVID-19 challenges is expected to diminish resources available for other purposes.

Question  
Score

Prioritization

6

'06 '22 10



1

Although successive governments have made commendable attempts to set long-, medium- and short-term priorities in their development policies and plans, consistent implementation in accordance with those priorities has been lacking. Malawi seems better at developing and setting priorities than adhering to them in practice. A few examples stand out pointing to unsuccessful policy implementation: First, Vision 2020 failed to reduce poverty, with 50.7% of the population still living below the poverty line of \$1.90 per day and 25% living in extreme poverty.

The National Planning Commission engaged Premier Consult Limited to review and analyze the Vision 2020 to identify lessons learned and make proposals for possible priority areas for the next successor Vision for Malawi. The firm's owner, Oliver Saasa, concluded his review by pointing out that "the country was doing efficiently in wrong things." Second, on economic infrastructure, which Vision 2020 envisioned to improve during the period, Saasa observed that based on the findings, there have been some improvements in road infrastructure but lamented that distance to a good road for the average Malawian has not improved. Third, the findings have also exposed Malawi's inability to achieve a middle-income status with a per capita income of \$1,000 (about MWK 740,000) per person per year as targeted in the Vision 2020 strategy.

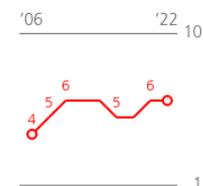
There are three possible explanations for this unsuccessful policy implementation. First, incumbent governments are sensitive to the vagaries of electoral competition and therefore may alter their priorities in order to woo voters and boost their chances of electoral victory. Second, revenues and other resources are in short supply and inhibit effective implementation. Third, as an aid-dependent country Malawi is vulnerable to donor influence and aid conditions that tend to change over time. In view of the fact that about 40% of Malawi's development budget has long been financed by donors, it is unsurprising that the priorities of successive governments have been influenced by donors rather than reflecting domestic preferences.

The COVID-19 pandemic has exacerbated the budget constraints. With the exception of performance audits of some government projects or institutions conducted by the national audit office, there is no evidence of a comprehensive audit to determine which priorities have been implemented and which have not.

Malawi has a long history of public sector reform. There have been 80 reform attempts by successive administrations since independence, but none have produced the desired results. This dismal record suggests poor institutional learning and low innovative capability. Many reform attempts have been driven by the donor community in an effort to build state capability based on Weberian legal-rational precepts. The latest reform initiative was undertaken in 2015, triggered by the "Cashgate" scandal. The accompanying report was refreshingly candid: The Malawi public service had exhibited poor and declining performance in service delivery and management of public agencies, a deterioration of work ethics, indiscipline and absenteeism and proliferation of fraud and corruption. However, despite numerous efforts, the politicization of the public service remains deeply entrenched and

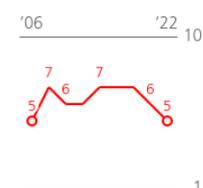
#### Implementation

6



#### Policy learning

5

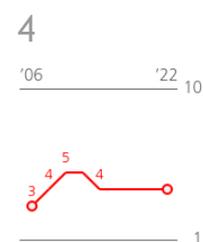


institutional learning and innovation remain largely absent. It is indicative of the political sensitivity of the 2015 reform proposals that responsibility for their implementation was transferred to the Office of the President and Cabinet (OPC) and its public sector reforms management office. However, political commitment to the reform agenda did not prove genuine and sustainable. In the wake of the 2020 presidential election, the vice president has been charged with designing and overseeing the implementation of public sector reform initiatives. The COVID-19 pandemic is likely to have a disruptive effect but possibly promote reforms in the health sector due to its heightened urgency.

## 15 | Resource Efficiency

It is doubtful that the government uses its human, financial and organizational resources in an efficient manner. Recruitment processes are not always transparent and based on objective criteria of professionalism. Civil servants have often been appointed and dismissed on non-professional grounds such as ethnicity, regionalism and loyalty or disloyalty to the powers that be. Such practices compromise the quality of the government's human resources. An infamous example is the so-called Nsanje Inland Port, which was promoted as a prestigious project by the late president Bingu wa Mutharika. Today, it can best be described as a “white elephant,” completely dried up. Despite efforts to instill prudence in the management of public resources, budget discipline is often lax, and resources are diverted to purposes other than those intended. The recent misuse of funds to address the COVID-19 pandemic is a case in point. Lax budget discipline is compounded by endemic corruption at all levels of the civil service. The Corruption Perception Index compiled by Transparency International in 2020 ranked Malawi as number 129 out of 180 countries worldwide with a score of 30 on a scale where 100 indicates a corruption-free country. This represented a downward slide from the two previous years. Particularly egregious cases of grand (as distinct from petty) corruption are the “Cashgate” and “Maizegate” scandals, which involved the pilfering of billions of kwacha by means of dubious procurement deals and manipulation of the country's financial management system. Government officials, from the president to leaders of key government agencies, drive in expensive gas-guzzling vehicles that are usually sold cheaply to the user after only a few years of use. Meanwhile, civil servants are underpaid, which provides incentives for corrupt behavior or absconding from work to pursue other income-generating opportunities. Since the newly elected president took office, senior civil servants have received a salary raise – a move that has been criticized as extravagant in view of the constrained revenue situation, compounded by the COVID-19 pandemic. The government has appealed – with some success – to the private sector to provide additional resources in money and in kind to an overstretched health sector. The new Chakwera government has pursued a policy of transparency when presenting the budget to parliament and when conducting a mid-year review. Some quarters have characterized the budget as expansionary and criticized the inclination to finance the deficit through domestic borrowing.

Efficient use of assets

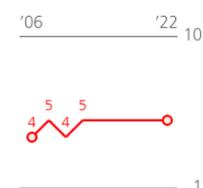


Policy coordination is the task of the cabinet, which comprises all ministers. The cabinet under the tutelage of the president as head of government must approve all white papers and policy documents before tabling them in parliament. In 2015, the merger of the Ministry of Economic Planning and Development and the Ministry of Finance to become the Ministry of Finance, Economic Planning and Development contributed to improved policy coordination. Ostensibly, the recently launched long-term strategy document – Malawi 2063 – resulted from an extensive process of consultation across sectors to ensure coordination. However, given Malawi’s precarious economic situation and its vulnerability to weather-related and other disasters, the government is often overwhelmed by emergencies that require urgent attention and upset established policy priorities and timely implementation. The current COVID-19 pandemic is an example of such an emergency that disrupts the order of priorities. This renders coherent policy implementation difficult. Corruption is an additional factor that undermines coordination.

Corruption is endemic in Malawi. It has many causes, but is fueled by deep societal inequalities, poverty, patronage networks and an inefficient public service. In their daily lives, most Malawians experience petty corruption at all levels of society and in most sectors of the economy. Major corruption scandals have rocked Malawi in recent years, variously dubbed “Cashgate” and “Maizagate,” involving high-level civil servants, senior politicians and senior military officers. The Anti-Corruption Bureau (ACB) has been established as a specialized government agency to counteract and investigate corrupt behavior. However, the bureau faces multiple constraints in its operations. Structurally, its independence from the executive is not ensured because the director of the ACB can easily be removed from office. There are signs that the new government is committed to fighting corruption, as evidenced by the full funding allocated to the ACB in the 2020/2021 financial year. President Chakwera has also spoken about his government’s commitment to fighting corruption and that he will not shield any members of his government who are accused of corruption. It is indicative of the ineffectiveness of the justice system that the investigation of major scandals has taken an inordinately long time and that cases remain pending before the courts for years. The slowness of the justice system is partly due to case overload but also results from political interference. Following the change of government, two former cabinet ministers were convicted and sentenced to serve several years in prison. It remains to be seen, however, whether the anti-corruption rhetoric will translate into serious action in addressing this malaise. In 2009, Malawi launched a National Anti-Corruption Strategy. Most agencies and departments were slow to establish these committees but by early 2019 altogether 80 such committees had been set up. However, enforcement of the ethical rules was lax. Upon the expiry of the first strategy, the government developed a new National Anti-Corruption Strategy II covering the period 2019-2024. Government accounts are audited by the national audit office under the stewardship of the auditor-general, but this office is under-resourced. In any event, the government has consistently been slow to act on

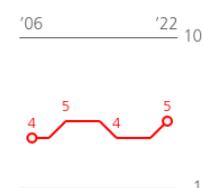
#### Policy coordination

5



#### Anti-corruption policy

5



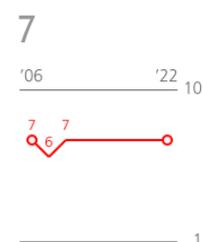
recommendations following audits performed by the auditor-general. Malawi has enacted the Public Officers (Declaration of Assets, Liabilities and Business Interests) Act. The office of the director of assets declarations has been operational for a few years, and many public officers have declared their assets, although many others have dragged their feet or failed to comply with the legal requirement. The Access to Information Act (ATI) was passed by parliament in 2016 and the president assented to it. Once it was made operational in 2020, it was celebrated as a milestone in the media landscape because it will provide insight into government affairs and opportunities for exposing corrupt dealings. The act also provides protection for whistle-blowers who divulge information about inappropriate withholding of information.

## 16 | Consensus-Building

All major political actors are agreed that democracy is the only acceptable governance paradigm in Malawi. There are discernible efforts among political actors to prevent the re-emergence of autocracy. However, a recent survey conducted by the Afrobarometer in 2019-2020 suggests a huge decline in support for democracy to 51% of Malawian respondents. Rejection of authoritarian alternatives has similarly declined, as only 77% of Malawians rejected one-man rule; 63% rejected one-party rule and 83% rejected military rule. Support for choosing leaders through democratic elections has also declined from 71% in 2014/15 to 55% in 2019/2020. Support for limiting the president to serving a maximum of two terms in office has held steady, declining only marginally from 78% in 2014/15 to 76% in 2019/2020. Generally, Malawians were less satisfied with democracy in 2019/2020, as only 34% expressed satisfaction with how the system was working in the country in 2019/2020, down from 49% in 2014/2015. Presumably, this reflects a growing disappointment with recent outputs of the democratic process. Clearly, a large proportion of the electorate is unhappy about the benefits that democratic rule produces. No recent surveys have been held to test the levels of democratic commitment and satisfaction since the new government was ushered into office following the June 2020 presidential election.

While all actors agree that the country should adhere to a capitalist system with liberalized markets, there are significant differences of opinion about the extent to which the government should cushion the poor and vulnerable and how this should be done. By way of illustration, since 2006 the government had been running a Farm Input Subsidy Program (FISP) to boost food production. Although most political actors supported this program in principle, there were significant differences of opinion over its implementation and criticisms of the corruption involved, as well as the level and coverage of such a subsidy. Other government interventions in favor of the poor have included the Malawi Social Cash Transfer Program to reduce poverty and hunger, and to improve children's human development. By 2020 it had reached approximately 283,000 households, representing 7% of the total population. The

Consensus on goals



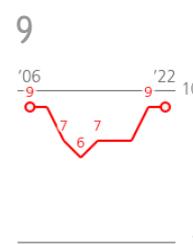
newly elected government closed FISP and replaced it with a new program geared toward the agricultural sector – the Affordable Input Program (AIP) – whose objectives are to reduce poverty and ensure food security at household and national levels. AIP has quadrupled the number of beneficiaries of subsidies agricultural inputs from the numbers that were targeted under FISP. However, it remains to be seen whether AIP will transform lives to the extent of enabling poor Malawians to graduate from dependence on government support.

Political actors across the board are generally supportive of democratization. The armed forces have shown no proclivity to interfere in domestic politics and have respected the primacy of civilian authorities in determining the country’s democratic path. On the rare occasions that anti-democratic elements have emerged, their influence has been minuscule. However, the police have on numerous occasions overstepped their mandate and engaged in reprehensible behavior such as beatings and other infringements on human rights, even torture and extrajudicial killings. Even so, in no way does police misconduct constitute a threat to the democratic order in Malawi.

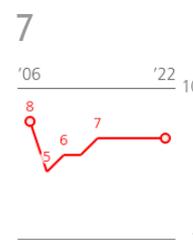
There are many cleavages in Malawi but the most important one with a political import is related to ethnicity. Political parties have generally appealed to ethnic identities and regional origins to garner support during election campaigns. Ethnicity and regional identities tend to reinforce each other and are largely coterminous. These cleavages are reflected in electoral support patterns that are regionally based. The exceptions are the 1999 and 2009 elections, when the votes were more evenly distributed across the country. Religion is a social and political cleavage but far less important than ethnicity. Class-based cleavages do exist, but they rarely surface to make a difference in the political arena. Inequalities in terms of wealth and ownership of land and other assets are pronounced but tend not to be a basis of political mobilization. The cleavages are deeply entrenched in the society and governments have not been able to change those easily. The new government, however, has adopted a conciliatory stance and seems committed to bridging existing cleavages. The success rates are yet to be seen.

A plethora of CSOs play a prominent role in the governance realm, acting primarily to scrutinize the government and as participants in public debates. They are registered, regulated and overseen in terms of the Non-governmental Organizations Act of 2000 by the NGO Board, which has the authority to withhold, suspend or cancel registration in the event an NGO fails to comply with the provisions of the act. The Council for Non-Governmental Organizations in Malawi (CONGOMA) serves in a coordinating role. The CSOs form a mixed bag. Some are extensions of the foreign CSOs from which they receive funding. Others are genuinely domestic even though they also rely on foreign funding. Many are lobbying on policy issues. A particularly significant example of NGO influence was the nationwide protests against the fraudulent 2019 elections. On occasion, when voicing criticism of the

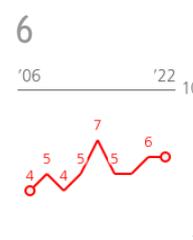
Anti-democratic actors



Cleavage / conflict management



Civil society participation

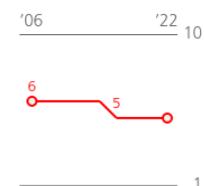


government, they have elicited responses in equally tough language. The operational space given to CSOs to carry out their work is generally wide, especially when they do not challenge government institutions or policies. Others engage in development activities at the grassroots level, providing services in such sectors like education, health and water supply. CSOs, whether domestic or foreign, do exert some influence but their entry points and channels of influence vary. The president has a special adviser on civil society affairs who liaises with CSOs. Faith-based organizations (FBOs) form a particular sub-category of CSOs. Malawi is a profoundly religious society with multiple faiths and denominations. They act both independently and collectively, for example through the Public Affairs Committee (PAC), the Malawi Council of Churches (MCC), and the Evangelical Association of Malawi (EAM). FBOs occasionally issue pastoral letters or statements on salient political and social issues (e.g., corruption and elections) that receive coverage in the media. Clergy also seek influence through audiences with the president. Apart from general calls for all Malawians to contribute to quelling the COVID-19 pandemic, the government has not taken any specific NGO initiative in response to the scourge.

The democratic transition in 1993/1994 was a critical juncture in the history of Malawi that required reconciliation following three decades of dictatorial rule under Kamuzu Banda. The pre-1994 era was characterized by the arbitrary detention and disappearance of many Malawians. The emerging political consensus after 1994 led to the establishment of a National Compensation Tribunal (NCT) to atone for the suffering inflicted during Kamuzu Banda's rule. Nearly 20,000 claims were received, and interim awards were paid to less than one-third, but not by far enough to dispose of the caseload. In many cases, complaints have been made that the compensation offered was a mere pittance not commensurate with the losses people had suffered. The mandate of the tribunal was limited to compensating victims. No deliberate attempt was made to bring about conciliation between the victims of Kamuzu Banda's rule and the perpetrators of abuse. The NCT has not brought public closure to past abuses and the antipathy they engendered. Reconciliation over the excesses of Banda's rule remains unresolved. Albeit at a much lesser level, following the nationwide protest of July 20, 2011, which left more than 20 people dead at the hands of police, promises were made to compensate the families of the deceased. But to date the promises have not been honored.

#### Reconciliation

5



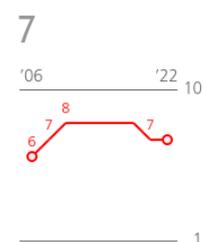
## 17 | International Cooperation

Malawi's economy is heavily aid-dependent. Total official development assistance accounts for about 25% of Malawi's GDP. Over the years, about 40% of the state budget has been sourced from donors. Since 2008, Malawi has received several Chinese grants and loans to finance physical infrastructure, including roads, the national stadium, parliament, hotels and other facilities. This assistance has been helpful, not least because China does not impose major conditionalities on its aid. The observed direct effects of these investments have so far been minimal, mainly because they are concentrated on infrastructure, which only yields indirect impact. While direct budget support was for some time an important aid modality, program and project aid has come to feature more prominently in aid packages, either through state institutions or circumventing public institutions by increasing the proportion of aid channeled through civil society organizations. In the wake of the "Cashgate" scandal, most donors suspended direct budget support but retained project support under tighter controls. The shortfall left by reduced international financial assistance has proved difficult to fill through domestic revenue generation. The government has resorted to domestic borrowing to finance the budget deficit. The government recently launched the Agenda Malawi 2063, which has the objective of transforming Malawi into a wealthy and self-reliant industrialized "upper middle-income country" by the year 2063. Development partners, including both domestic and international aid agencies, are expected to adapt their programs to Agenda 2063. In January 2021, the government announced plans to enact legislation that will require political parties to match their election manifestos with Agenda Malawi 2063 to ensure that its implementation is assured irrespective of whatever government is in power at any particular moment.

Successive governments have consistently portrayed themselves to the donor community as credible and reliable partners. However, structural deficiencies within government systems, coupled with neopatrimonialism, have produced significant shortcomings in the way in which the government follows up on its international commitments. Malawi has acceded to all major international and regional conventions on human rights.

As a signatory to these instruments, Malawi is legally obligated to abide by their precepts. Many of the obligations are enshrined in Malawi's constitution as the Bill of Rights, while others have been legislated and specified in acts of parliament. The adherence to the legal obligations has been challenging and performance uneven. In the sub-category on participation within the 2020 Ibrahim Index of African Governance, Malawi ranked 22 out of 54 African countries with a score of 42.8 in 2019, a decline of 17.7 points since 2010. As the designated national human rights

Effective use of support



Credibility



institution, the Malawi Human Rights Commission (MHRC) monitors human rights protection and investigates alleged violations.

The Human Rights Council has deliberated upon Malawi's reports. While the country has been commended for taking action in a number of areas, criticisms have also been made, especially with respect to controversial issues such as the rights of sexual minorities, illiberal abortion laws, and the abolition of the death penalty. Capital punishment remains on the statute books of Malawi for crimes such as treason, murder and rape. Although a small emitter of climate gases, Malawi is a signatory to the Paris Agreement on climate change. The country is very vulnerable to climate-related risks and is engaging in adaptation measures. As a member of the United Nations, Malawi takes part in UN activities, including peacekeeping operations.

Malawi is a member of the African Union and consistently participates in African Union (AU) activities, including peacekeeping operations. At the subregional level, Malawi is a member of the Southern African Development Community (SADC) and of the Common Market for Eastern and Southern Africa (COMESA). Generally, Malawi has cooperated well with all neighboring countries on various matters, notwithstanding some friction with Mozambique over arrears at Beira port. A peaceful solution to the boundary dispute with Tanzania over the northern part of Lake Malawi is being sought through mediation, and Malawi has participated fully in this endeavor. Smuggling across borders with neighbors is causing some friction.

Regional  
cooperation

8

'06 '22 10

8 8 7

1



## Strategic Outlook

Malawi is facing multiple challenges in the immediate and distant future. As far as the democratic dispensation is concerned, the task ahead is to consolidate what has been achieved to date. The change of the electoral system resulting from the 2020 verdict of the High Court is historic and epitomizes the independence of the judiciary. The institutions of restraint such as the Human Rights Commission and the Office of the Ombudsman need strengthening. Similarly, the civil service is crying out for reform to enhance efficiency. The government is the main actor in safeguarding recent achievements, but civil society also has a role to play. At the grassroots level, Malawians must demonstrate their democratic ethos in practice. However, the electorate is not only preoccupied with democracy as a process in accordance with established rules. While valuing democracy, Malawians are rather more interested in the output side of the governance system in terms of tangible improvement in their daily lives: invigoration of the economy and less poverty, better educational access and quality, improved health services, reliable water and electricity supplies. Coordination and ardent implementation of the adopted policies are key. Unless output improves, the electorate may lose faith in the democratic system and become susceptible to cheap populism without heed to democratic principles.

In the economic sphere there is not much to celebrate. The Malawian economy suffers from many ills. What is needed is a grand policy for enhanced agricultural productivity through increased use of sophisticated machinery and other inputs. This would probably require land reform, which is likely to generate dispute since smallholders are attached to their land as their lifeline. Therefore, a carefully crafted land reform must allay the fears of the smallholders. The National Smallholder Farmers' Association of Malawi and the Farmers Union of Malawi would be key stakeholders and make valuable contributions in that policy process. Malawi's vulnerability to the adverse effects of climate change (floods, droughts and associated calamities) is likely to continue to exert a heavy toll and cause humanitarian crises and food insecurity. Renewed efforts are needed to adopt an implementable climate change adaptation policy beyond disaster management.

Parallel to new policies in the agricultural sector, Malawi needs a new implementable industrial policy with a view to increasing the modest share of industry in the GDP. The National Industry Policy elaborated in 2014 requires thorough revision, and a key contributor to that endeavor is the Malawi Confederation of Chambers of Commerce and Industry (MCCCI). This long-standing interest organization comprises members in the sub-sectors of manufacturing, mining, services and trade, possessing a wealth of insights into the challenges facing the industrial and trade sectors. A major challenge is to attract investors from abroad. To achieve the latter, improved transport routes are needed together with closer regional coordination through SADC and COMESA.

Corruption is an impediment across all sectors of the economy and renewed efforts are sorely needed to curb this scourge at all levels of society. Although the Anti-Corruption Bureau has been given additional resources, it needs to move aggressively with investigation toward prosecution.

The most urgent challenge is addressing the devastating COVID-19 pandemic by providing health care services, providing aid to the people most in need, eradicating poverty, reducing inequalities and building resilience to crisis and shocks. The newly elected government gives ground for optimism. The international donors may help to close some of that gap, but the government must stand firm on its preferred policy options, the absence of which may lead to policy vacillation and limited impact.