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The Politics of State-Business Relationships in Malawi[A]

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'The place to look for the obstacles to economic growth are the institutions that protect narrow elites at the expense of broad access to opportunities for economic advancement and effective protection of property rights' (Hoff, 2003:220)

'In very few African countries have business interest groups become part of the solution to the economic crisis that plagues the continent' (Bräutigam, Rakner and Taylor, 2002:543)

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ABSTRACT

Adopting an historical institutionalist approach, we show that the politics of state-business relations (SBRs) in Malawi have been shaped by three historical factors, namely (a) the low level of capitalist development in the country; (b) the dominant influence of the Malawian state and political regime under Dr Banda for the first 30 years of independence; and (c) the manner in which informal institutions of generalized reciprocity, deeply and authentically embedded in Malawian culture and values, have contributed to blurring the distinction between the public and the private. Historically, the post-independence state exercised excessive influence through regulations and restrictions and dominated the business sector itself through statutory corporations and their subsidiaries. The private sector has been viewed by the state with suspicion and mistrust while the private sector has regarded the state as a source of patronage and opportunity. Close links and personal traffic between the elite of the main business association, the Malawi Confederation of Cambers of Commerce and Industry (MCCCI), and political office have entailed collusive relations which do not necessarily represent the interests of the many and predominantly small and micro businesses. Neither state nor business have yet developed the levels of relative autonomy *vis a vis* each other which might form the basis for effective and synergetic SBRs. With the exception of the recent privatization programme, efforts to strengthen the private sector have, till recently, gone through cycles of what appear to be superficial policy fashions. Despite rhetoric to the contrary, the net effect is that political processes continue to shape institutional patterns of SBRs in Malawi which are characterized by a continuing dependence of the main business association on the state and by reluctance on the part of the state to allow or encourage autonomous capitalist development. This suggests that the influence of historical patterns and informal institutions has been strong, and remains so, though there have been recent indications that efforts are being made to do this 'de-politicize' the MCCCI. From a policy point of view, encouragement, support and the provision of opportunities and incentives for business associations to recognise the benefits of autonomy need to be considered. Likewise, providing opportunities for state leadership to recognise the benefits that can flow from building a synergetic relationship with business needs consideration. In short, *investing in processes* which help to encourage and institutionalize autonomies and synergies on both sides is the way forward if SBRs in Malawi are to shift more quickly and effectively from their path-dependent trends of the past, typified by state-domination, elements of collusion and opportunism and pervasive mistrust.

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SUMMARY AND ARGUMENT

There is now widespread agreement that sustained economic growth is a necessary though not sufficient condition for poverty reduction (International Poverty Centre, March, 2007), and it is also now generally accepted that outside certain very unusual circumstances (those of revolutionary transformation of the kind that occurred in China after 1949 and Cuba after 1960, for instance) sustained poverty-reducing growth is most likely to be achieved by an effective 'synergy between state action and market functioning' (Lange and Rueschemeyer, 2005: 240). In short, the dominant discourse about 'development' today refers to 'capitalist' development. However, the synergy of state and market that is held to be its core can take many forms, depending on the degree of shared ideologies and goals, the structural character of both state and business organizations and the institutional arrangements which mediate those relationships. For instance, where the private sector is small, weak or disorganized, as it was in Thailand until the 1960s (Laothamatas, 1994) the state may dominate and set both the pace and the agenda; or – as the private sector prospers and its organizations become stronger as happened in Thailand after the 1980s, and likewise in South Korea (Moon, 1994) – the relationship may take a different and perhaps more balanced form as business organizations seek and develop more independence, or achieve state capture. However, if growth is to be achieved and sustained, the relationship between state and market will be best expressed in positive and complementary terms rather than in hostile or collusive ones. In short, development will prosper where state-business relationships encourage the productive deployment of capital which allows both businesses and the wider community to benefit (Harriss, 2006).

However, achieving sustained and poverty-reducing 'development' through such relationships is fundamentally a matter of solving a series of very complex and multi-layered collective action problems, involving the interaction of different groups and interests in often distinct but overlapping spheres and levels of activity – and the more urgent and pressing the developmental agenda and timetable (as is certainly true in the case of Malawi, given the levels of poverty), the more difficult is the solution to the collective action problem (at least in formally democratic polities). Different sectors and different kinds of business interest will often have distinct goals and objectives (as may different sections of labour and the citizens more widely). In the business field, there may be cleavages of interests between sectors, regions and businesses of different size and orientation (for instance agri-business. manufacturing, importing and exporting) and such cleavages may also overlap with ownership of business or positions of dominance in sectors of the economy. In plural societies, some ethnic groups may dominate the economy or be perceived to do so. Likewise, different interests – both political and bureaucratic – within the formal structure of the state institutions might pull in different directions and, especially where governments are based on formal or informal coalitions of parties or interests, this problem may be amplified. There may be times, especially in presidential systems, when legislatures and executives are locked in conflict. Coherent, consistent and continuous relations of positive 'synergy' are not easy to establish.

Under such circumstances, ensuring collective action – that is, vertical and horizontal co-operation across a range of interests and spheres for the mutual benefit of all – is never going to be easy (Shepsle, 2006: 28). But the solution, if there be one, will be an institutional one. That is, what will be required will be a set of nested and complementary institutional arrangements – rules which help to organize and promote the on-going relationships and activities of different groups and interests – so that they serve the objective of collective action which, in this context, is that of attaining sustained and inclusive poverty-reducing growth. For instance, Besley, Burgess and Esteve-Volart (2007:19) suggest that pro-poor growth in India depends on effective voice and accountability, appropriate labour legislation, access to finance, the development of physical and human capital, land reform and the reduction of gender inequality. Following Schneider and Maxfield (1997) and building on Harriss (2006), Dirk Willem te Velde (2007:6) suggests that 'good' SBRs are based on 'benign collaboration' between business and the state and are best characterized by a good two-way flow of relevant information; reciprocity between state and business; state credibility in the eyes of capitalists and norms of generalised trust.

We agree; but how are such policies and institutional relationships established and implemented? They cannot simply be had to order. The patterns and outcomes vary widely from country to country and in each case have been profoundly affected by historical legacies and continuities which are never easy to shift. Moreover, as illustrated in the case of India, patterns vary across its states. Indeed, as with all institutional arrangements, SBRs are unlikely to be successful or sustained if imposed from without on reluctant actors. Establishing 'good' state-business relationships – and hence the institutional arrangements which organize their interaction – is just one such collective action problem in a set of developmentally-related collective action problems, as is the problem of their maintenance and change.

We shall argue that the process of resolving these problems needs to be understood as a political process and, in particular, institutions framing state-business relations need to be understood as the outcome of complex and changing political processes both between and within the state and the business sectors.

We explore these issues in this study of the politics of state-business relations in Malawi and suggest that an analysis of SBRs in Malawi is as much about the *formation* and evolution (Thelen, 2003) of the institutions for organizing these relationships as it is about the nature of their past and present interaction. Our central thesis is that although efforts are being made currently to regularize, stabilizse and improve SBRs in Malawi, they have generally been characterized by (a) shifting goals and politico-economic philosophies and policies on the state side; (b) by radical discontinuity and a generalized lack of a robust, shared and committed developmental vision and strategy; (c) by mutual mistrust and suspicion over time; (d) by the non-consolidation and lack of continuity of appropriate institutions and structures on both sides; and (e) by division and dissension within both the state and the private sectors. Underpinning this, as we shall suggest, has been a legacy in the political culture – the informal institutions which are of profound importance in shaping behaviour – from the Banda era which has made effective change and effective SBRs difficult to manage. Moreover, and crucially, the fact that many officials and agents of 'the state' in Malawi – at all levels – are themselves engaged in 'business' (Anders, 2005) makes it difficult to assume a clear and functional differentiation between 'state' and 'business' sectors, and the personnel within them. All this occurs in the context of one of the poorest countries in Africa (with a GDP per capita of $150, pervasive poverty and deep inequality), whose post-independence political history has traversed a terrain from authoritarian rule to democratisation in the course of a generation, and where development assistance remains a very significant component (17%) of state expenditure – which must affect patterns of accountability by the state.

This paper is divided into four sections: we provide a brief background to Malawi, given the methodological context of historical institutionalism[1] in political science, in terms of which we approach this subject here (Harriss, 2006; Sanders, 2006), the legacies of the Banda decades are of the greatest importance. The institutional arrangements, structural characteristics, ideas and predispositions established and consolidated in that era have embedded resilient legacies and patterns in state and business which continue to influence how people behave and, in this context, how SBRs operate. Hence any analysis of the characteristics, problems and potentials for state-business relations which evacuates itself from this historical context will not help us to explain much.

Section A explores some of the historical, theoretical and comparative issues relating to the study of SBRs in general. We discuss why SBRs are important in enhancing developmental trajectories, the different ways in which scholars have approached the study of SBRs, the institutional approach to SBRs, and the factors which appear to shape or limit the evolution of effective SBRs (on both sides: that is in relation to both the state and also business). Throughout, we argue that the processes whereby these relations are negotiated, established and maintained are primarily political and, despite many efforts, are not easy to change.

In Section B, we turn to explore these issues in relation to the history, structure and practice of SBRs in Malawi. Dealing firstly with the history of, and ideologies around, state-business relations since independence, through the leaderships of Dr Banda, Dr Muluzi and currently Dr Bingu Mutharika. The significance of historical legacies and how they influence and impact upon present behaviours is central to our approach, and helps to illustrate some aspects of the notion of 'path dependency' developed by scholars working in the tradition of historical institutionalism (Pierson, 2000 and 2004). We then go on, secondly, to map the state-side institutions involved in SBRs, followed by an account of the structure of private sector institutional sets and organizations. We then look at where, how and with what effect state and business institutions and organizations interact and the historical instability of these interactions.

Finally, in Section C, we return to the theoretical and comparative issues in the light of the Malawian material to explore how such evidence from Malawi illustrates and enriches wider understandings of SBRs in Africa – and beyond. We hope that this work will complement the work of our colleagues (Dirk Willem de Velde and Kunal Sen) who have been measuring SBRs in Africa and Asia, and we indicate some items for an agenda for future research and for practical action by donors.

1. Malawi: The Background[2]

1.1 Physical and demographic features

Malawi is a landlocked country in South-east Africa, bordering Tanzania, Mozambique and Zambia. It has a population of approximately 12 million (2007), which is considerably more than double what it was in 1975 (5.2 million) with a projected population growth rate of 2.3%. Population density is one of the highest in sub-Saharan Africa, approximately 110 per sq. km. Given past trends and a total fertility rate of 6.1, the population might double again in the next 25 years, despite a ravaging HIV prevalence rate of nearly 15% (within the 15–49 age group). Approximately 17% of the population is urban and this is expected to rise to 22% by 2015. There is a considerable 'youth bulge' with some 47% of the population under the age of 15 and only 3% over the age of 65. Life expectancy is now estimated at 37, and male adult literacy stands at 76% and female adult literacy at 50%. Unemployment, especially youth unemployment, is high. At the end of the Banda era (1994) some 145,000 job-seekers came on

1. 'The central assumption of historical institutionalism (HI) is that it is more enlightening to study human political interactions: (a) in the context of rule structures that are themselves human creations; and (b) sequentially, as life is lived, rather than to take a snapshot of those interactions at only one point in time, and in isolation from the rule structures (institutions) in which they occur' (Sanders, 2006:39).
2. The detail for this is drawn from Cammack (2001), Durevall (2002), Record (2006), Record and Davies (2007), RPED (2006), UNDP (2006), World Bank (2006), DFID (2006), Booth et al (2006), CIA (2007).

to the labour market annually while only 15,000–35,000 job openings were available and in 2,000 some 200,000 young school-leavers were still chasing only about 30,000 jobs. Less than 10% of the workforce has formal employment and, of these, 21% are employed in the public sector (Cammack, 2001:60, 18). The main ethnic groups are Chewa, Nyanja, Tumbuka, Yao, Lomwe, Sena, Tonga, Ngoni, Ngonde, Asian and European. About 75% of the population is Christian and 20% Muslim. It is composed of three broad and politically salient regions: North (11% of population), Central (39 % of population) and Southern (50% of population). Until 2004, each of the three main parties have been associated with one of the regions: the Malawi Congress Party, the MCP, with the Central Region; the Alliance for Democracy, AFORD, with the Northern Region; and the United Democratic Front (UDF), with the Southern region. However since 2004 there has been greater fluidity within and between the parties and defections across the legislative floor such that this close identification with region has been weakened as party and hence regional loyalties have shifted.

1.2 Economic and social features

The current GDP of Malawi is $1.8 billion while GDP per capita is currently about $150 ($646 in PPP terms). Though there is some debate about the accuracy of the data (Harrigan, 2001: 18-22), growth was respectable in the early years after independence (at an annual average about 5.5% between 1965 and 1977, though this is contested). This has fallen sharply over the years, to an average of 3% in 1996-2005, but the main characteristic of growth rates has been their volatility over the last 40 years, for instance sometimes swooping up to 10% p.a. and then dropping to -10% in other years, as Malawi has so often been battered by external and internal shocks – oil price hikes, interest rates, fluctuating tobacco prices, droughts, the war in neighbouring Mozambique and an influx of refugees amongst other things. In 2000–2002 growth plummeted to -4.1%, but rose again to 4.4% in 2003, falling to 1.9% in 2005 due to another drought. The average annual growth rate since 2000 has been 0.7 and GDP per capita has fallen. UNDP figures suggest an annual average growth rate of GDP per capita of -0.4 between 1975 and 2004 and of just 0.9% between 1990 and 2004.

Agriculture (mainly rain-fed) contributes 40% of GDP and 75% of this comes from small-holders who are mainly engaged in tobacco and maize production. The remaining 25% of the sector consists of commercial estates, producing tobacco (mainly), sugar, and tea. The manufacturing sector (mainly agro-processing) is small – currently about 11% of GDP – and only 14% of its output is exported, while tobacco makes up 55–60% of Malawian exports. One account suggests a zero annual average rate of growth in the manufacturing sector since 1996. Fixed capital formation (which averaged 12.6% anuually for the decade 1994–2004) is considerably below the average for sub-Saharan Africa. Savings are meagre.

The exchange rate between the Malawi Kwacha (MK) and other currencies has plummeted since being allowed to float in 1994 from 20 MK to the US dollar to 120 MK to the dollar in 2005. Aid has averaged 17% of GDP for the past 10 years (with a low of 10% in FY 2001/2 and a high of 25% in FY 2005/60). Interest rates are much higher in Malawi than in the rest of Southern Africa (excluding Angola) having peaked at 45% in 2002, but lowering to 36% in 2004 and 25% in 2007.

Of considerable relevance for issues to do with SBRs, the private sector is characterized by a small number of large oligopolistic companies (tea, tobacco marketing, sugar, cement and consumer products) and very considerable number of micro and small ‘businesses’, primarily rural and geared to the production of additional household income for 25% of Malawian households. Recent surveys (Ebony, 2001; RPED, 2006) found that there were some 747,000 ‘small’ enterprises in Malawi (employing up to 50 people), but over 90% of these employed between 0–4 people of whom 44% were owner-employees, hence self-employed, and another 30% employed 2 people. About 80% of these ’businesses’ are ‘stagnant’ and serve primarily to provide much-needed additional household income (60% of income in rural areas and 45% in urban areas). Some 80% were rural, accounting for 38% of the total labour force in Malawi, of whom 42% are women, and together contributed about 15% of GDP. About 22% of the labour in this sector is engaged in off-farm work.

Malawi ranks 166 out of 177 on the Human Development Index. Some 65% of the population is below the national poverty line (41% on less than $1 per day and 76% on less than $2 per day). Malawi ranks as one of the most unequal societies in Africa – and beyond – with a *Gini* index of 50.3, and with the richest 10% accounting for 42% of income/expenditure and the poorest 10% accounting for 1.9%. It ranks 105 out of 163 on the Corruption Perception Index (Transparency International, 2006). By comparison with many other African countries, Malawi ranks relatively well in terms of ‘doing business’ – it is thirteenth out of 45 in terms of ‘ease of doing business’, and ninth out of 45 in terms of ease of starting a business (World Bank, 2007a). Despite this there is a Private Sector Reform Programme, within Ministry of Industry, Trade and private Sector Development (MITPSD). The Malawi Investment Climate Assessment of 2006 found that the major obstacles to the growth and running of businesses in Malawi included macro-economic instability, access to and cost of financing, electricity supply uncertainty, transport, corruption and access to land (RPED, 2006:13).

1.3 Governance and politics

With respect to its governance and politics, Malawi (as Nyasaland) came under British rule in 1891 as British Central Africa and then as a Protectorate until it was absorbed into the Central African Federation (CAF) between 1953 and 1963 when the CAF was dissolved. It became independent in 1964 under the leadership of Dr Hastings Kamuzu Banda and his Malawi Congress Party. In 1966 it became a Republic and a one-party state with Dr Banda as its first President (and later, in 1971, as President for Life). Through the MCP and its paramilitary youth wing, The Malawi Young Pioneers (MYP), Dr Banda and a small group – some suggest a *de facto* 'triumvirate' – ruled Malawi for almost 30 years with what has been described as both dictatorial and eccentric rule, corresponding closely to Weber's concept of strongman, 'personal rule' or 'sultanism' – an extreme form of patrimonial rule in Weber's classification (Weber, 1964:347), combining effectively in Banda's case both the executive and ceremonial headship of state, party leadership, commander-in-chief of the military and cultural leadership of the nation (Sandbrook, 1985:324). The legislature, judiciary and party were all subjected to the executive dominance of the President. An expanded civil service was created which increasingly operated under a 'culture of fear' and silence (Anders, 2005:43), with officials in constant fear of being arrested as 'confusionists' or 'separatists' (ibid:203). Corruption was thought (and now is often said) to have been limited across the civil service in general but, put another way, was intensive but confined to Dr Banda and his close associates (Cammack, 2001:19).

As has not been uncommon elsewhere in Africa, this concentration of political power in and around Dr Banda has strongly influenced class formation; Moreover, and contrary to the pattern in Europe, as a number of scholars have shown over the years, political power has given rise to economic power: in Africa, 'class relations, at bottom, are determined by relations of power, not production' (Sklar, 1979:537; Shivji, 1976). At the heart of this concentration of political and economic power – the core of the Malawian political economy – was the Press Holdings Corporation, controlled by the President, which held many manufacturing, service and retail monopolies through a web of subsidiaries, plus majority shareholding in two of the country's commercial banks. Two parastatals, ADMARC (Agricultural, Development and Marketing Corporation) and the MDC (Malawi Development Corporation) also held shares in the banks, and 'All three organizations were intertwined through interlocking directorates in which final authority and control resided in Dr Banda through Press Holdings' dominance' (Mhone, 1987, cited in Harrigan, 2002:35). The economic and financial influence and power of Press – which at one point effectively controlled 50% of the Malawian economy – enabled the President to reward loyal politicians, bureaucrats and other followers not only with jobs but also estates (mainly tobacco) and with easy access to bank loans for their development (Harrigan, 2002:35). It thus became difficult to differentiate the public from the private sector. As one USAID official observed: 'Malawi's private sector is alive, doing well and owned by the government' (cited in Harrigan, 2002:38).

A number of consequences of this particular political economy for the analysis of contemporary SBRs are worth noting.

- First, the blurring of the public-private distinction in the daily practice of this authoritarian patrimonialism clearly weakened not only the idea but the reality of the state as a relatively autonomous set of public institutions, independent of both its political incumbents at any given time and also its citizens. The interlocking incumbency of public and political office with private economic ownership, through Press and beyond, created an almost seamless web of politico-economic ownership and control, in which there was a 'systematic failure to distinguish between private sector resources, state resources and the resources of the ruling party' (Booth, et al, 2006:10; Anders, 2005:204). This has left a legacy in the political and ideological culture of Malawi which has had an enduring effect. It has also compromised the integrity and respect of the public service, and hollowed out its capacity to perform effectively, to promote the provision of public goods and contribute to developmental velocity.
- Second, it created, also, a culture of dependency in the barely differentiated private sector in which successful entrepreneurialism came to be identified with successful patronage, protection and collusion with the political regime rather than autonomy and enterprise and this became strongly associated with official – and perhaps even wider – public hostility to that part of the private sector which was beyond the network of interlocking public-private-political collusion. Nothing illustrates this better than the report by the Chairman of the Lilongwe Branch of the Chamber of Commerce and Industry of Malawi (CCIM, now the Malawi Confederated Chambers of Commerce and Industry, MCCCI) that the Chamber had been asked by the Regional Minister for the Central Region to contribute funds towards the cost of the 1977 Malawi Congress party Convention which was to be held in Lilongwe. The business sector was asked by the CCIM to donate funds and a 'generous response' had been received, following which the Branch Executive enjoyed an audience with the Life President who expressed his appreciation (CCIM, 1978:5).
- Third, Dr Banda's emphasis on the promotion of semi-state-led export-oriented estate agriculture plus state and political support for a few large companies, to the benefit of a small elite, has been at the cost of small-holder agriculture (where the bulk of Malawians live and work) and the encouragement of small businesses. The pervasive and enduring poverty of rural Malawi, and the sharp inequalities between this small elite and the mass today, is thus in no small way attributable to the 30-year hegemony of Banda's political economy.

- Finally, from a theoretical point of view, historical institutionalists argue that 'Institutions are seen as relatively persistent features of the historical landscape and one of the central factors pushing historical development along a set of 'paths'' (Hall, 1996:941). Entirely consistent with this observation, many of the features of the thirty year Banda era, in terms of ideology, habits of working and 'standard operating procedures, regulations and routines' (Hall, 1992:97), created an institutional legacy which has been hard to change and which influenced political and SBR relations, even after democratisation, partly through the continuity of practices and partly through the continuity of the outlooks, preferences and interests of the often interlocking personnel involved at all levels.

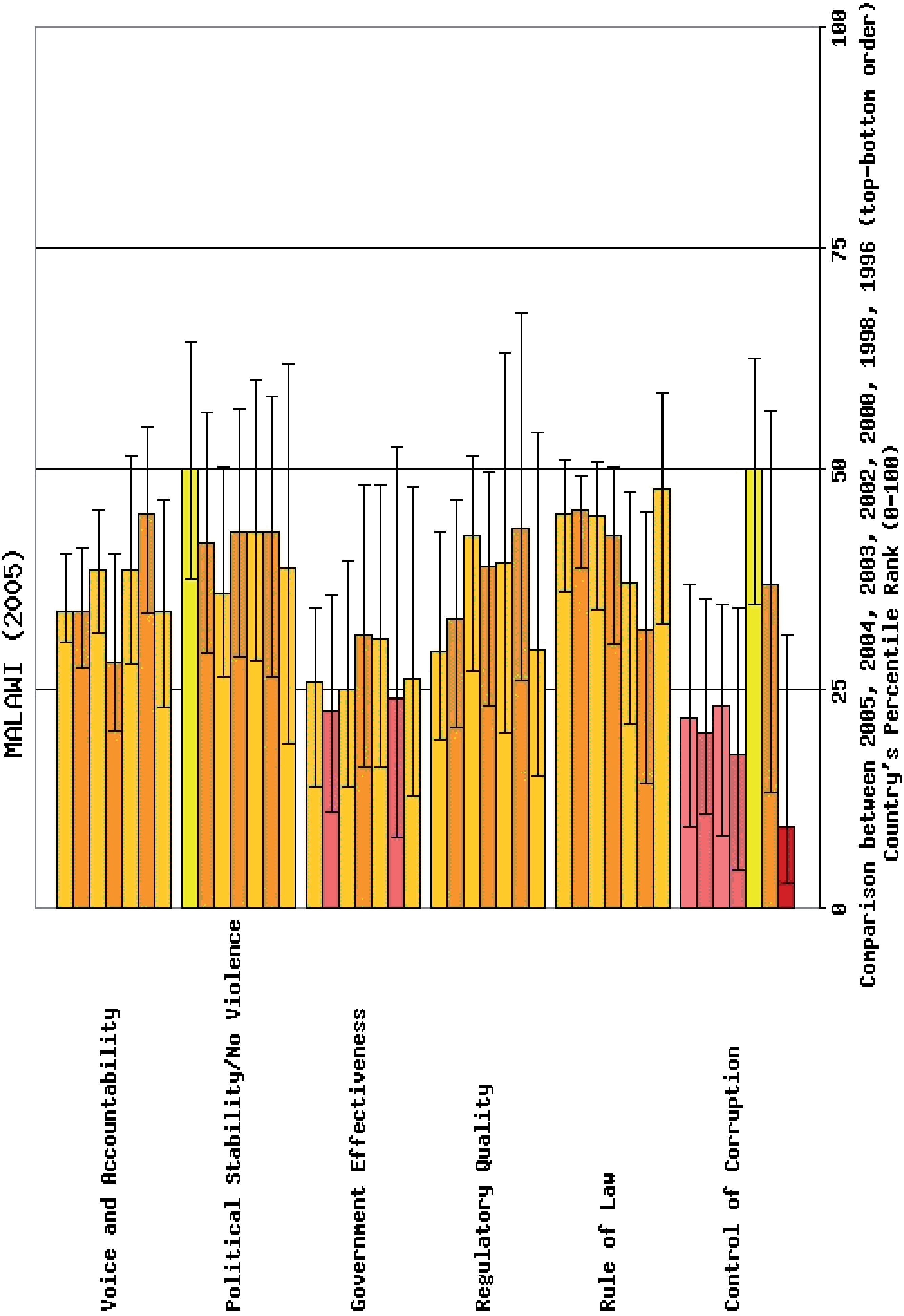
From the early 1990s a combination of external and internal pressure led to a referendum in 1993 about the ending of single-party rule. Some 63% of the voters opted for multi-party rule. This resulted in constitutional changes, the emergence of new political parties and defeat for Banda and the MCP in May 1994 when the United Democratic Front Presidential candidate, Muluzi, won, also taking 85 (out of 177) seats in the National Assembly, with 56 seats going to the MCP and 36 to AFORD. Muluzi governed for two terms from 1994 to the 2004 election – an era which became associated with 'progressive decline in the quality of fiscal management, increasing corruption and generally declining standards of public management' (DFID, 2006:3). Unsuccessful in gaining a constitutional change which would enable him to run for a third term, Muluzi was succeeded by his close associate, Bingu wa Mutharika, who won the 2004 election on the UDF ticket. Mutharika was regarded as a 'political novice' but was also considered to have had a good record and reputation as an economist having served as secretary-general for COMESA and Deputy Governor of the Central Bank before becoming the Minister for Economic Planning and Development in the Muluzi government. The next election is due in 2009.

The current (1995) Malawian Constitution is widely held to be amongst the most liberal in the world. It provides for a single chamber legislature[3] and a strong executive President who appoints the Ministers, who need not be members of the Assembly. Indeed, almost half of Muluzi's first cabinet were not MPs, but by 2004 only 5 of the 30 ministers – the number had increased over the 10 years – were not MPs (Patel and Tostensen, 2006:8). It is a political system which 'assigns parliament to a secondary role' (ibid:1). This *formal* institutional arrangement for the distribution and use of power is buttressed by the *informal* institutions of patronage which enhance presidential power in Malawi and which are deeply 'embedded in its historical and social roots', (DFID, 2006:3). Presidential patronage has been effective and undiminished since democratization in 1994, even when the opposition has a majority in the assembly, in 'buying off parliamentarians' (Booth et al. [2006:7], Anders [2005], Cammack [2001], Patel and Tostensen [2006]). Nothing illustrates this better than a study of the Malawian budget process which, despite formal procedures at each stage – formulation, implementation and evaluation/oversight – has been described as '… a theatre that masks the real distribution and spending' because decisions are influenced by 'informal practices in a manner that reduces transparency, limits distribution and civil society input' (Rakner, et al., 2004:4).

In terms of recent formal assessments of Malawi's polity and governance, the Freedom House report on 'Freedom in The World, 2007' (Freedom House, 2006) which evaluates Political Rights and Civil Liberties on a scale from 1 (free) to 7 (unfree) ranks Malawi as 'partly free' with a score of 4 for Political Rights and 3 for Civil Liberties. The World Bank's governance indicators for Malawi are set out in the diagram below (World Bank, 2006a). The percentile scores suggest that for 2005, with respect to the various indicators, Malawi recorded 33% for Voice and Accountability; 50% for Political Stability – considerably up from 1996; 25% for Government Effectiveness; 29% for Regulatory Quality; 45% for Rule of Law; and 21% for Control of Corruption, again considerably up from 9.3 in 1996.

If one accepts the conventional definition of corruption as the private use of public resources, then the absence of clear boundaries in the use of public and private resources during the Banda Presidency places the regime firmly into the category of 'corrupt', and state-business relations as systemically collusive, even if the practices were confined to a narrow elite and a small number of businesses.[4] However, over a thirty year period these practices established a pattern of political, bureaucratic and business behaviour which became generalized much more widely when democratization unfolded from 1994 onwards. A number of studies – and especially the 2005 Governance and Corruption Baseline Study commissioned by the GoM (Millennium Consulting Group, 2006) – found overwhelming evidence that the practice had become widespread, leading analysts to observe that corruption, too, had been 'democratized' under the Muluzi presidency between 1994 and 2004 (Cammack, 2001:19), 'starting at the top and reaching down to the lowliest public servant' (Booth, et al, 2006:12). This same phenomenon has been described by Anders (2005:201 ff) as 'the democratization of appropriation', a situation in which senior officials, and politicians of all parties, released from the fear of punishment or discipline, or worse, which characterized the Banda years, 'seized their chance to establish themselves as patrons in their own right and appropriate the resources they controlled' (ibid:204). It spread from top to bottom. Where states are weak, relatively

3. A Senate was provided for but was never convened and was later scrapped from the Constitution.
4. Lest what we write sounds overly critical, it is worth repeating the observation by Chabal and Daloz (2006: 33) that ' in every society individuals and groups exploit tensions between the desirable and the permissible, seeking at every opportunity to make use of the loopholes, or interstices, through which (such) corruption can be achieved'.


MALAWI (2005)
Voice and Accountability
Political Stability/No Violence
Government Effectiveness
Regulatory Quality
Rule of Law
Control of Corruption
0
25
50
75
100
Comparison between 2005, 2004, 2003, 2002, 2000, 1998, 1996 (top-bottom order)
Country's Percentile Rank (0-100)

unaccountable as a consequence of patrimonial and patronage politics, this is not uncommon as Ertman has showed for many of the pre-nineteeth century states of Europe (Ertman, 1997) where state resources – from taxation or aid – present 'an inviting target to rent-seeking groups, be they government officials, financiers, the military, local political bosses, or the employees of subsidized state enterprises (Ertman, 1997:321–2).

The Baseline Survey found that 90% of Malawians considered corruption to be a serious problem and 70% believed that it had got worse in the previous decade; though only 33% of public officials believed it was prevalent in government today (84% thought it was prevalent 10 years ago). Other important findings of the Survey were that 60% of citizens believed that it was common to pay 'gratification' to public officials; 34% of businesses who had made sales to the public sector said it is more common to pay gratification than those firms who have not made such sales; on average public officials reckon that gratification represents almost a quarter (23%) of salaries in their organization; and 17% of contacts with Malawian public services result in requests for gratification. Some 92% of public officials believe that low salaries and the lack of an effective corruption reporting system are important factors in explaining corruption in the public sector. In both business and household responses to the Survey, political parties and members of parliament were seen as having the least integrity. According to the Baseline Survey, the area of public procurement was the one in which the highest proportion of contacts resulted in a request for gratification, followed by Malawi Housing Corporation, Immigration Department, the Traffic Police, the customs authorities and the regular Police. About 40% of officials considered that at least some of the jobs in their organization were obtained through gratification, not merit, a view confirmed by the fact that only 45% of public servants believe that the most qualified person always or usually gets the job in their organizations (Millennium Consulting Group, 2006:6–7).[5] This provides cause for concern, given the now widely accepted evidence that bureaucratic agencies which are characterized by 'meritocratic' recruitment procedures are more likely to facilitate economic growth (Evans and Rauch, 1999).

It is clear then that, despite efforts by the GoM and, in particular, its Anti-Corruption Bureau, corruption remains a serious problem, even if the perception of it may be higher than the reality, and even if there is some evidence of a decline in its incidence since about 2004. However, there are other aspects of the problem that deserve mention here which link to important institutional issues and, especially, to the difficult area of the institutional character of 'political culture' and the way in which 'informal institutions' overlap with, or penetrate, 'formal institutions', thereby influencing the behaviour of those formally within the latter.

We have not been able to establish whether the following data are true more generally, in the comparative analysis of corruption world-wide, but the Malawi Baseline Survey showed that 'gratification is commonly *shared* among public officials', and that individuals receiving such payments share 26.88% with their superiors, 20.96% with their colleagues in the organization or department, and 24.61% with politicians or political parties – the sharing, in total, representing nearly 73% of the gratification (Millennium Consulting Group, 2006:6). If this is true, and if the pervasiveness of everyday corruption is as high as claimed, then it provides evidence in support of a theory about one aspect of African politics generally, and Malawian politics in particular, that has been advanced for many years in an interesting and controversial literature, and which applies with equal force to all primarily agrarian societies, now or in the past, where poverty has been widespread and where strong or 'infrastructurally' effective states (Mann, 1986) and public institutional arrangements have not yet been fully established (Ekeh [1975], Price [1975], Chabal and Daloz [1999 and 2006], Maranz [2001], Bates [2001], Mbembe [2001], Inglehart and Welzel [2005], Anders [2005]). In Malawi, the obligation to 'share' (*kugawa*) and the moral value of sharing (*kugawana*) within an individual's kinship network, ethnic group and home area is widely recognized in the political anthropological literature, where it is understood as 'generalized reciprocity'. This is true not only for Malawi, but beyond it as well, as Price's study (1975) of the Ghanaian bureaucracy has shown. This has been closely identified with the predominance of what have been called 'survival values' in poor societies in a recent survey of attitudes and values in 81 societies containing 85% of the world's population (Inglehart and Welzel, 2005:5). Whether people grow up in a society with an annual per capita income of $300 or $30,000 has more direct impact on their daily lives than whether they grow up in a society that has free elections or not' (ibid:23). Maranz (2001:5) advances a similar line of argument in which he suggests that concern for survival in poor societies where relations of kin predominate leads to people finding 'micro-solutions' to the problems of poverty and adversity. A micro-solution is 'an action that gives a person a tiny, immediate advantage over a competitor in a socially acceptable way'.[6] Whereas a macro-solution would involve large-scale, impersonal rule-based solutions by establishing overall laws and regulations which would benefit all, This particular moral economy – *kugawana* in Malawi or generalized reciprocity more widely – has served a crucial function in poor societies. For many Malawians the obligations of

5. A similar point was made in the course of a presentation by a consultant who had been advising on the transformation of the 'state' broadcasting system to a 'public' broadcasting system, during which he noted that it was not uncommon for jobs to be obtained on the basis of patronage and connections.
6. In Venezuela, a very similar principle applies amongst the poor, and even more widely. The creole word to describe is "resuelve" and means: "It solves your problem" in the sense that it is not a solution for everyone, just the kind of solution that gives you, and only you, an edge over the rest of your competitors. We are grateful to Ibsen Martínez for this observation.

kugawana remain strong; and many of those now working in public services in the urban areas, away from their kin or home, trying to raise families on inadequate salaries, often find that these obligations are hard to meet. And one of the advantages of living away from their kin is that 'distance saves' them (Anders, 2005) from immediate and constant demands, for which they are quietly grateful.

There are immense problems in exploring the way in which norms, values and political culture affect political and economic behaviour. But the observations above suggest a link with our concern with the relationship between informal and formal institutions that may help to explain why, in Malawi and elsewhere, at least *some* forms of everyday corruption need to be interpreted with care. For what appears to be happening is that the informal rules of generalized reciprocity – drawing deep on indigenous values, norms and cultures, that is constituting a 'parallel social and moral order' to the formal order (Anders, 2005: 205) – are imported into formal bureaucratic settings and are there extended from traditional kin and family obligations to new networks of, and obligations to, 'official kin', that is colleagues in 'the office', on the implicit understanding that established patterns of reciprocity will benefit all. Though not all corruption takes this form – some simply represents naked greed – the example and the data from the Survey together illustrate graphically the way in which moral institutions impact on political, economic and bureaucratic behaviour.

We have set out this background detail on Malawi because we hold that an understanding of the problems and prospects of SBRs in any country requires an understanding of the historical context and its legacies which shape prevailing economic, political and social institutional practices. SBRs do not occur in a vacuum; they do not stand outside history. They are deeply implicated in, and both reflect and influence, the political, moral and institutional cultures in which they operate.

SECTION A
THEORY AND APPROACHES

1. Conceptualising state-business relationships

An interesting literature has emerged on SBRs in relation to the developing world generally in the last twenty-five years (see, for instance, Donor [1992], MacIntyre [1994], Evans [1995], Maxfield and Schneider [1997], Becker [1990], Hart [2001], Hawes [1993], Lucas [1997], and Moore and Hamalalai [1993]), with a scattering of pieces on Africa in particular (see for instance Heilbrun [1997], Heilman and Lucas [1997], Bräutigam et al [2002], and Kraus [2002]). However, interest in this relationship is not new. Arguably, however, it has been the core concern of most social science since modern interest in the politics of development emerged at the end of the eighteenth century: as Lindblom has put it: 'certain questions about governmental-market relations are at the core of both political science and economics, no less for planned systems than for market systems' (Lindblom, 1977:9). Going back a lot further, Adam Smith's concern for the wealth of nations is in part a theory of how state and business relations are best organized to promote economic growth; as he saw it, the 'exactions' of government and the 'impertinence and presumption… in kings and ministers to watch over the economy of private people' and to interfere in their affairs could only result in ruin (Smith, 1776/1977:446). For Marx, by contrast, the nature of this relationship was defined by the inevitable capture of the state by the dominant class, a defining feature of capitalist development, and resulted in the 'executive of the state' being little less than a 'committee' for managing the affairs of the bourgeoisie (Marx and Engels, 1848). In Malawi, however it is less the capture of the state by the private sector than the capture of the private sector by the state that defined its peculiar characteristics under Dr Banda – and beyond.

Later writers – such as Joseph Schumpeter (1944), Adam Przeworski (1985), Robert Bates (2001) and Peter Evans (1995) have all been concerned not only with the broad context of the relations between politics and economics, and polity and economy, but also with how the relations between specific institutional and organizational features of government and business are best organized for the purposes of growth and development. Indeed, the driving force of the East Asian (capitalist) developmental state was constituted by a particular set of (changing) state-business relations which were neither predatory nor collusive (Evans, 1995; Moon, 1994). As Chalmers Johnson has put it: 'The logic of such a system derives from the *interaction* of two sub-systems, one public and geared to developmental goals and the other private and geared to profit maximization' (Johnson, 1987:141–2).

Most recently, the World Bank's recognition of the dangers of 'state capture' by private economic interests – and hence pervasive collusion between states and businesses in the making of rules and the allocation of resources and opportunities – suggests that on left, right and centre of the analytical spectrum there is a clear recognition that state-business relations are at the centre of how contemporary societies might prosper or stagnate, and are certainly at the core of how, whether and where growth can assist in the reduction of poverty. So our approach here is to locate the study of the politics of SBRs in Malawi, very clearly in that long tradition.

There is no standard way of approaching the study of SBRs. And in the recent literature the way in which the study of SBRs has been conceptualised has varied widely.

- For some, and certainly part of a much longer tradition, the study of SBRs is in part the study of capitalist development and, in particular, the study of the formation of capitalist classes and their organizational expression (Becker [1990], Hawes and Liu [1993], Leys [1994], Heilman and Lucas [1997], and Kraus [2002]).
- For others, understanding and promoting effective SBRs is thought of as a question of democratic governance and democratisation (Hart, 2001). Economic fora and other consultative or co-operative arrangements, represent the formal or informal bringing together of actors from government and business and can hence play an important part in consolidating democratisation, through the 'pluralization of the institutional environment' (Lucas, 1997:71).
- Others (Moore and Hamalai, 1993, for instance), while noting the contribution SBRs may make to healthy civil society and hence democratic politics, also caution that on-going competition and conflict between Business Associations (BAs) in the context of a 'pervasive organizational surplus' of such associations may be expensive and unproductive – because fragmenting and hence widening the collective action problem – in terms of promoting effective cooperation and coordination with the state for the purposes of promoting development.
- More concretely, the whole new field of Public Private Partnership (in Malawi and elsewhere) addresses issues to do with the extent to which private enterprises might be involved, on their own or in cooperation with the state, in the provision or delivery of public services, in part as a response to state failure. Examples of this are investment in infrastructure, research and development and sales promotion in Thailand; collecting statistics and road maintenance in Kenya; building technical schools, raising police forces and providing loans in Nigeria (Lucas, 1997).[7]

7. This links in with work done on 'co-production', the provision of goods and services across the private-public divide (Evans, 1996; Ostrom, 1996; Joshi and Moore, 2004).

- Some scholars have looked at BAs as examples of 'bourgeois social movements' (Becker, 1990) or 'social movements for African capitalism' (Heilman and Lucas, 1997), treating the organizations of business (the 'anti-statist' ideologies and activities of FEDECAMARAS Venezuela, for instance, in the 1980s) as part of a wider social movement aimed at reducing the power and role of the state, and hence having both direct economic and political implications (Becker, 1990).
- Some studies have been concerned with the way in which neo-liberal reforms have affected the balance of state-business relations (Moore and Hamalai [1993], Kleinberg [1999], and Heilbrun [1997]), especially with respect to the power of each, the impact on *de facto* corporatist relationships and whether such reforms have enhanced development processes and poverty reduction, whether they have led to inclusiveness in BAs and how the balance between pluralist and corporatist relations in this sphere have been effected.
- In the past 20 years substantial changes have occurred in the structure of formal politics in many African countries as formal democratization and down-sizing the role of the state in the economy have occurred. How these changes in ideology and policy have impacted upon SBRs is another interesting field of research and the changing fortunes and relations government and business in Ghana in 1983 offers an example of that (Tangri, 1992) where the 'economic boundaries of the state' remained a contested terrain for some time into the reform process.
- All these approaches and angles on SBR offer varying insights into what is the key political issue – how 'growth coalitions' (rather than distributional coalitions or predatory coalitions) can be built (Mackie [1988], Bräutigam et al [2002], and Hawes and Liu [1993]). Growth coalitions (representing what Evans refers to as the 'embedded autonomy' of the state) are constituted both within and between the private or business sector and the state, expressed in formal (and perhaps informal) institutional terms. Growth coalitions occur when state-business relations 'take the form of active co-operation towards the goal of policies that both parties expect will foster investment and increases in productivity' (Bräutigam et al, 2002:540). As we have argued throughout, these growth coalitions cannot be had to order but are the product of on-going political negotiation and reconstruction as the relative power of each side undergoes (often slow) transformation (Haggard [1994:276), Evans [1997:85]).
- Another, but equally partial, way of approaching SBRs is in institutional terms. But establishing the effective and on-going institutions for SBRs, both formal and informal, depends therefore on the crafting of such growth coalitions which are in turn shaped by the political processes of different countries at different times, as we have indicated thus far for Malawi.

Given all these ways of approach, it is clear that the evolution of effective SBRs represents one of the many nested collective action problems which constitute the central challenges in the politics of development, a point to which we shall return shortly.

2. Factors shaping SBRs

What does the comparative evidence suggest about the factors which determine the character and quality of SBRs? Before turning to that there are some important qualifications to make.

First, although it has been pointed out (Schneider and Maxfield [1997], te Velde [2006], and Harriss [2006]) that *transparency, reciprocity, credibility and trust* are important if not defining elements of 'good' SBRs, it is also necessary to add that the institutional arrangements which express these qualities may vary very widely. Moreover, it has not always been the case that all these virtues have been present in anything like the same degree in all cases of effective SBRs. Mauritius (Bräutigam et al, 2002), Sweden (Lewin, 1994) and Korea (Chung-In Moon, 1994) may all be said to have had good, or at least effective, SBRs at different points in their recent histories, and still do. Sweden has been the epitome of industrial social-democratic corporatism, which accommodated both business and union interests in the construction of large areas of economic policy. Korea in the period between 1960 and 1980 represented in almost classic terms the characteristics of a developmental state in which, at first, the state was the dominant partner, guiding, pushing, disciplining and rewarding business behaviour according to a plan developed and pursued by a highly trained and meritocratic 'pilot agency' (Johnson, 1982), and effectively excluding union interests. Credibility and trust may have featured in this relationship, but reciprocity and transparency would have been less apparent. Mauritius has been a paradigm case of social democracy in the tropics, where the political elites in a highly plural society – quite unlike Sweden or Korea – recognised that it needed to reconcile a wide range of economic, ethnic, religious and political interests and factions within a commonly agreed policy framework and constant negotiation, discussion and consensus, if political turmoil was to be avoided and if the poverty which underpinned political instability was to be overcome by inclusive (and especially job-creating) growth (Bowman, 1991).

Second, what seems to be of critical importance in shaping the form which SBRs take is the wider politico-economic purpose they are designed to serve and the ideology of the dominant political forces. In South Korea, the urgent need for rapid economic development was politically driven by the regional geo-political situation it found itself in after the Second World War and the division of the country between north and south. It was this which was fundamental in shaping the goal of building Korea Inc., which underpinned the early phases of SBRs. In Ghana and Tanzania (and Malawi, too, under Banda, as in many post-independence countries in Africa) the immediate post-independence hostility to 'capitalism', the 'market' and entrepreneurs (Tangri, 1992; Heilman and Lucas, 1997) generated state-led strategies, as it did in Indonesia, buttressed by powerful currents of economic nationalism (MacIntyre, 1994b). In Malaysia, the explicit political concern to increase the role of the *bumiptra* in the economy (especially after the catastrophic communal violence in the late 1960s) contributed to the form which SBRs took in that country under the New Economic Policy which favoured the building up of *bumpitra* capital, businesses and opportunities (Bowie, 1994).

Bearing in mind these qualifications, what factors then seem to shape the character and quality of SBRs? We look first at the 'state side' of this relationship.

- As indicated above, the **developmental goals and purposes** of the political elite, or elites, is fundamental. Where internal or external political factors threaten stability, sovereignty or the very survival of the polity, determined growth goals are more likely to be serious (Leftwich, 1995; Donor, Ritchie and Slater, 2005).
- The **character and capacity of the state** – measured in terms of its 'infrastructural' power (Mann, 1986) – is of critical importance.[8] Failed, failing or weak states are unlikely to be able to forge or sustain effective SBRs, and the prospect of an organized and functioning private sector in such states is also rather slim. Predatory states of the Haitian or Zairian forms are unlikely to establish effective SBRs. Current DFID understandings of state 'capability' convey precisely the same sense as Mann's concept of 'infrastructural power', where 'capability' in the C.A.R. framework of good governance is defined as 'the ability and authority of leaders, governments and public organizations to get things done; to formulate and implement policies effectively' (DFID, 2007:9)
- The extent to which the state enjoys **relative autonomy** – that is not captured by, in collusion with or beholden to, certain sectors or interests in economy and society (landowners, local power-holders, major mineral extractors and exporters, the military) will also shape the character of SBRs. The networks which link state and business will fall into one of two opposing categories: 'growth-oriented' networks or 'rent-seeking networks' (Evans, 1997:70). The former refer to what Doner and others have described as 'growth coalitions' or what Evans refers to as 'embedded autonomy', where the autonomy of the state does not preclude establishing effective and credible relations of trust, which are not collusive or predatory, with the business sector. The point is crucial: 'either autonomy without embeddedness or embeddedness without autonomy is likely to produce perverse results. Without autonomy, embeddedness becomes capture. Without embeddedness, joint projects which engage the energy or intelligence of business cannot be constructed' (ibid:74).
- Multiple and unco-ordinated points of contact with, and access to, the state side of the relationship for businesses may promote relations of patronage and collusion. However, where there is policy coherence within the state, multiple points of access, where consistent policy objectives are maintained, may enhance effective relations with different sectors in the business community.
- Though the often related socio-political goals and economic objectives of the elites (as above) will be influential in determining the extent of this relative autonomy of the state, the character of the **bureaucracy** will also be critical. The evidence suggests that a well qualified, meritocratically-selected and adequately paid civil service – in the context of a relatively autonomous state with characteristics such as those indicated above – will be more likely (a) to develop effective relations with business and (b) to facilitate economic growth (Evans, 1997; Evans and Rauch, 1999).
- Though we have not seen comparative evidence on this point, it is plausible to hypothesise that the **different formal political structures** – federal, unitary, presidential, parliamentary, centralised and decentralised – will affect the nature and differentiation of state business relations in different polities. The autonomy and authority of the various states in India to develop their own local forms of SBRs and hence affect developmental outcomes is a case in point.
- More controversially, there is no clear evidence as to whether 'better' or more effective SBRs are found in democratic or non-democratic polities. As we suggested earlier, the aims, goals and infrastructural power of the state may be a more salient factor. Certainly the effectiveness of SBRs in non-democratic Korea (for almost 30 years), dominant-party democracy in Singapore and competitive democratic Mauritius suggests that there is no automatic or necessary relationship between the type of regime and the character of SBRs.

What of the 'business' side of the relationship? Here, a number of factors appear relevant.

- The extent to which the ideology and goals of the business sector are shared, or at least not incompatible, with those of the state will influence not only the structure of the BAs but their propensity to cooperate in trying to achieve state objectives. So the national and geo-political context referred to above in respect of the state is also likely to influence the business sector. It may be influenced by considerations of political or economic nationalism or of 'infant industry protection'.
- It is clear that the level or phase of capitalist development generally in which businesses operate – and which they also help to create – is of profound importance in shaping the character, capacity and extent of business associations (BAs). In the Malawian case, as the previous sections will have shown,

8. Mann (1986a:170) defines infrastructural power as: 'the capacity to actually penetrate society and to implement logistically political decisions'.

capitalist development is at a relatively early stage both with respect to the structure and operation of the economy but also in terms of the typical values, norms and attitudes in the society more widely.

- It is commonly the case in the early stages of capitalist development that the informal sector is large. It follows that ad hoc, informal, transient associations – of hawkers or taxi drivers for instance – rise and fall. Their main concern is the internal self-organization of their activities (e.g. access to parking, or location on the street for hawkers), rather than wider policy issues. We need to know much more about these associations.
- Associated with this will be the size, strength, autonomy and self-consciousness of the capitalist class (Marx's notion of a class not only 'in itself' but for itself) and the strength of its ideology will influence the nature of the BAs in the country. The extent to which such class interests and ideologies are reflected in the policies of BAs may also help to demand accountability from the state or may be effective in challenging ineffective or exploitative practices (whether a service or a frustrating set of regulations). In Nigeria, for instance, BAs have helped to bring to an end discredited mobile courts, inefficient phone-systems and the termination of corrupt import licensing schemes (Lucas, 1997:73). More specifically, the freer a BA may be from state intervention, the greater will be its capacity for independent action and advice. Corporatist arrangements – Mexico provides good examples – have been used by states to control and discipline business associations (Kleinberg, 1999).
- Moreover, a capitalist class which may be internally divided along regional, ethnic, religious, communal or other cleavages will be less likely to generate coherent and representative BAs of either a sectoral or peak character, and may be more easily penetrated or divided by the state.
- The professional resources and technical competence of a BA will influence its capacity to make effective representations to the state on policy issues.
- Once established, the degree of representation and inclusion in a national BA will shape its effectiveness. Unrepresentative, fragmented, regionalised and decentralised BAs may find it more difficult to organize effective relations with the state, and will certainly find it difficult to ensure that they are consulted and taken seriously by the state in the formation of national policy.
- Finally, the circumstances surrounding the provenance and early growth of a business sector – and especially its formative experience of relations with the state – will establish patterns that may be hard to shift, as the case of Malawi will demonstrate.

All these factors will influence the purpose, shape and efficacy of SBRs. One or two final points are worth making here about the institutional relations between state and business.

- The character and degree of formalization of the institutions which organize the relations between state and business will influence the interaction. Broad and purely consultative fora, for example, may help to initiate the virtues of trust and credibility which provide a context for working towards or maintaining a consensus about goals and policy, as in the case of NEDLAC in South Africa (Hart, 2001). Where formal institutions for SBR do not exist, fora of this kind may be useful initial steps (though they may also become simply token 'talking shops', as was one of the criticisms of the National Action Group on the Economy [NAG] in Malawi). On the other hand, as in Mauritius, the Joint Economic Council (JEC) represents all major business associations, meets regularly with the government, is serviced by highly skilled professional staff in the Mauritius Chamber of Commerce and Industry (MCCI) and has been active in policy discussion (Bräutigam et al, 2002). This represents quite an advanced stage in the development of SBRs.
- There is much evidence to suggest – from as far a field as Korea and Mexico – that as the business sector grows in strength, the relations between it and the state are likely to change, with the business sector often seeking greater autonomy and independence, fewer regulations and control and more say in the formation policy. But these changes are likely to be slow.

3. Historical institutionalism

It is in the light of these considerations that we turn now to SBRs in Malawi. As indicated above, we have approached this question in the light of historical institutionalism (Sanders, 2006; Thelen, 2003), and a brief word about this will be useful here. As Thelen points out (2003:214 ff), where rational choice institutionalists see institutional formation and change in functional or even utilitarian terms as serving to solve collective action problems and organize gains from cooperation, sociological institutionalists tend to see institutional formation as imitative, following scripts of what may be modern, moral or efficient. Both may have relevance in certain circumstances, but historical institutionalists attend more to the power-distributional features of institutions and how they distribute advantages and serve the interests of those with power. We adopt the latter approach, recognising that in the formation of institutions, 'critical junctures' (such as Malawian independence and the control of power by the MCP for 30 years) can establish institutional patterns – pathways – which deliver increasing returns to those in power and which are often difficult to shift even when new 'critical junctures' (the ending of MCP one-party rule in 1993, for instance) appear to create significant change. In adopting this approach we work from three fundamental premises. First, we recognise that SBRs in Malawi are essentially nascent, for it is an economy at a very early stage of capitalist development and it is not uncommon under such circumstances for SBRs to be fluid and either collusive or dominated by the state. Second, we work from the premise that the pattern of SBRs established under the Banda era – and sustained for a generation – contributed to a state-business culture in which the role of the state (and ruling party) was hegemonic and that the blurring between the public and private sectors was almost complete. Third, there is also evidence to suggest that values, norms and informal institutional patterns of obligation and reciprocity – deeply embedded in Malawian traditions and culture governing kinship and village relations – have been extended into the state or public sector and attached to new 'official' kin in the form of office colleagues.

In our conclusion we shall return to these issues and try to capture the extent to which they help to explain the structure and characteristics of SBRs in that country.

SECTION B
STRUCTURE AND PRACTICE OF SBRs IN MALAWI

Introduction

State-Business Relationships (SBR) in Malawi have been characterized by overt and manifest as well as implicit distrust and suspicion over time. Historically, the state has exercised excessive influence through regulations and restrictions and dominated the business sector itself through statutory corporations and their subsidiaries. With the exception of the privatization programme, efforts to strengthen the private sector have, till recently, gone through cycles of policy fads. The ultimate result is that state-business engagements have not been structured and institutionalized. On the contrary, relations have been issue-driven, reactive and characterized by institutional discontinuities.

The private sector lacks a fully representative front and is internally divided, while the public sector has had multiple points of interface with the private sector with obvious problems of coordination and consistency. Although there have been intense efforts in the last few years to institutionalize constructive interface between the two sectors, the efforts are constrained by complex legacies from the past and also 'associational politics' among private sector entities, arguably, aided by the state or its agents. Thus Public-Private Dialogue (PPD) remains unstructured, un-institutionalized and ineffective.

However, recent efforts indicate a renewed intention on both sides to institutionalize and improve SBRs, although the private sector lacks 'representativeness' or comprehensiveness. Formally, these efforts are taking place within a new framework of development, the Malawi Growth and Development Strategy (MGDS), which focuses on economic growth through production and value addition that is export-oriented. The MGDS gives priority to private sector development and highlights it as 'the engine of economic growth'. The process of rationalizing PPD has begun and there are a number of challenges that need to be resolved in order to develop a viable PPD mechanism that can live beyond the current Government's tenure of office. Sustainability of the efforts beyond the presidential tenure of the current incumbent is a crucial factor in that regime change may be accompanied by a shift in policy before the developmental impact of PPD has been tested and embedded.

1. History and Ideology of SBR in Malawi

In this section, we briefly discuss the history and ideology of both the state and private sector that have characterized SBRs since independence – a period punctuated by significant regime and policy change. It is particularly important to understand the salience of path-dependency (Pierson, 2000 and 2004) in influencing continuities from one regime period to the next, particularly on the state side of the relationship. In particular, these continuities have been associated with what has been described as the phenomenon of 'recycled politicians' who turned into self styled democrats and liberals in the 1990s but nonetheless reinforced attitudes against the private sector from the previous era and stifled the PPD initiatives.

The history of SBRs in Malawi can be conveniently cast into three phases, namely, the post independence one-party era under the leadership of the first President, Dr. Kamuzu Banda, from 1964 to 1994; the first multiparty decade under the leadership of Mr. Bakili Muluzi from 1994 to 2004, and the current era under the leadership of Dr Bingu wa Mutharika since 2004.

1.1. SBRs under Dr.Banda

The one party era of the Malawi Congress Party (MCP) was known for its government controlled, monopolistic, and regulated business which instituted effective barriers to PPD (Agar and Kaferapanjira [2006], Anders [2005], and Posner [1995]). It was a hard regime which (a) centralized political power in the hands of the President and his coterie; (b) exercised ruthless treatment of those who opposed or threatened it and was generally capable of overriding vested interests and of implementing unpopular policies (Kydd [1988], Posner [1995], and Record [2006]); (c) allowed little formal space for a private sector (or private sector business associations) to flourish by explicit antagonism towards it and by effectively suffocating it through the President's control of the massive conglomerate called the Press Trust, which effectively controlled 50% of the economy. Dr. Banda's state presented itself as self styled benevolent and omnipotent social guardian. Its reliance on force enhanced alienation and disaffection for the 'outsiders' and 'reinforced the view that the private sector was exploitative and not to be trusted (Agar and Kaferapanjira 2006:1–2). During this period, the public sector led the market with regard to investment trends (Mhone, 1992; Kaluwa, 1992). By the mid-1980s, according to Record (2006) a parastatal sector of about 35 institutions accounted for some 25% of GDP, excluding the Press Corporation. This was justified by the argument that where private sector did not, could not or would not provide the goods and services needed for the welfare of the community or for socio-economic development, or provided them poorly or inequitably, the government had the duty not just to provide but actually to produce those goods and services (Record, 2006).

Government policies were first clearly stated in the 1971–80 Statement of Development Policies 1 (DEVPOL I) in which public enterprises rather than the private sector were seen to be the main means of achieving economic development. By the mid 1980s the parastatal sector was contributing about 25% of GDP (Pryor, 1990; GoM, 1992). DEVPOL II (1987–96) noted circumstances where 'unfettered laissez-faire capitalism [would] be inappropriate' (cited in Record, 2006:8) and went on to catalogue licensing requirements, parastatal interventions, regional policies and other controls designed to shape the way the private sector operates (Record 2006:8). Even the strategic plan of the Ministry stated that government regulations would be limited to the areas where private sector efforts were inadequate or inappropriate. It is noteworthy that it was the Government that was the unilateral judge of 'inappropriateness'

The Banda era was also characterized by insecurity of property rights, an insecurity authorized by The Forfeiture Act. Under this Act, the state could acquire any assets from any person or entity for which it had any reason or proxy reason to do so. Many victims of this Act were those with different political views from the establishment whom Dr.Banda branded as 'political dissidents'. With respect to the business community, the break up of a joint venture between Bookers (a British conglomerate) and the Malawi Government (through MDC-NTC) in 1970 is illustrative. Bookers had a joint venture with the Government through the Malawi Development Corporation (MDC) in which the latter had 51 % of shares and was trading as National Trading Company (NTC) with a Chain of superstores (Kandodo stores) as a subsidiary. Dr. Banda unilaterally announced severance of the relationship and instructed that NTC would revert to Bookers-Malawi and its rural assets would be acquired by MDC which would turn them over to new unnamed subsidiaries (Hooker, 1971). The rationale was that Government wanted to achieve more rapid progress in the development of individual Malawian commercial enterprises particularly in rural areas. In order to support that development, 'Government has decided to establish under MDC a new wholesale company [whose] primary aim will be the channelling to small business of those categories of goods in every day use by the majority of the people' (Times of Malawi, 7 December, 1970). For the same rationale and further exemplifying the insecurity of property rights, government encouraged Malawian Asians (mostly of Indian origin) to withdraw from competition in the rural areas by refusing them licences (Hooker 1971:6). The Minister of Trade then was quoted in the Manna Bulletin (29 December, 1970) to have said that the president had asked Asian traders to vacate certain trading centres in order to give Malawians a chance to participate fully in business activities. He further said that Government would not be happy to have standards of these trading centres lowered and warned that if this should happen the Malawian businessmen 'should not complain if their shops were given to other businessmen who would run them properly' (Manna Bulletin, 29 December,1970).

Dr. Banda's Speech to Parliament in early 1971 clearly casts his perception of foreign (Asian) traders: '[foreign] traders are parasites who produce nothing. They just make money, hide it and take it home outside the country' (Malawi News, 19 March 1971, cited in Hooker, 1971).This was more or less a justification for his policy to exclude Asians from rural areas. As in many other ethnically or culturally plural societies in Africa and elsewhere (Malaysia and Indonesia, for example) such attitudes have often been expressed politically in policies designed to promote the economic interests and opportunities of the 'indigenous' people (as in the New Economic Policy in Malaysia, embodied in the Second Malaysia Plan of 1971). Once embedded, such policies and attitudes take both time and are hard to shift, whatever their justification may be.

Kydd (1988:39) has argued that in the scheme of personalized rule through the machinery of a hard state 'much turns on the personality and ideology of the ruler, his views on economic policy and instruments employed to implement the policy'. The above discussion shows that Dr. Banda's government had a capitalist orientation but, as observed by Hooker (1971), it was a capitalist framework in which the government increasingly participated. For instance, while he was against 'nationalisation' he also did not allow any form of 'public' participation in any of the joint ventures with foreign investors. Foreign investors that required local partnership could only be partners with a public enterprise. It was argued that "at this stage these firms cannot be turned into public companies where everyone can buy shares… they will have to meet certain demands and qualifications before they can be turned into public companies with open shareholding" (Manna Bulletin, March 17, 1971).

Though outwardly stable, Dr. Banda's state became a predatory state. It gave rise to political and economic relations that thrived on structures and institutional arrangements of domination and subjugation complemented by an apparatus of control that ensured mechanical compliance. Fear permeated the civil service (Anders, 2005:30–35). Rule was strictly top down and, in such an environment, cordial SBRs or an effective PPD were simply impossible. As Mhone noted 'the ministerial and parliamentary structures [and the civil service] were purely nominal and had the façade function of rubber-stamping and rationalising handed down policies (Mhone 1992:5).

1.2. SBR under Dr. Muluzi and the United Democratic Front (UDF) (1994–2004)

Internal opposition and external pressure through the 1980s and early 1990s finally forced Dr. Banda to call a referendum on the continuation of one-party rule which was decisively rejected. The election which followed brought the UDF to power, but the Muluzi regime is widely regarded as one which promoted collusive SBRs. It was characterized by a framework of formal law and administration but in which the state was informally captured by patronage networks (Record, 2006). Mr. Muluzi's UDF was 'literally born in the Chamber of Commerce' (Posner, 1995:137) and was largely a collection of business tycoons and political foes of Dr Banda. They had grown rich during the Banda years, often through close ties with the Malawi Congress Party. As has often been the case elsewhere, the increasing economic strength of this group had given them power and some independence from the state, and an ability to oppose. The UDF came to power on the platform of 'poverty alleviation' – a marked departure from the emphasis on estate agriculture as an engine of economic growth and development which had characterized the MCPs development strategy (Chinsinga, 2002).

Unlike the state-dominated capitalism of the MCP regime, the UDF adopted wholesale the policy of liberalisation and embarked on dismantling the parastatal sector through a World Bank sponsored privatization and divestiture programme in 1996 within the rubric of a series of Structural Adjustment Programmes (SAPs).

By 2004, Malawi was known for corruption, rent seeking and widespread economic exploitation. In a survey undertaken for the Government of Malawi, some 90% of Malawians considered corruption to be a serious problem and almost 70% believed that it had worsened over the previous 10 years (Millennium Consulting Group, 2006:6). Thus while the MCP regime may be thought of as having become a predatory oligarchy, the UDF regime was characterized as 'a plundering democracy' and its ruling elite as 'no more than an exploiting oligarchy' (Khembo, 2004). Political elites, who were also business magnates, used their political power to cut deals with individual private sector players that substantially compromised state autonomy. The regime was thus not sympathetic to effective and transparent relations with the private sector, nor to promoting an effective forum for public-private dialogue, as such processes would have given rise to calls for accountability and discipline and would have begun to restrain the rent-seeking practices which characterized the regime.

The long and short is that talk of PPD during the Muluzi regime was ad hoc, rhetorical and largely a façade. The political and economic spaces were systematically manipulated to enhance the dominance of the party and its entrepreneurial clientele. A Malawian version of 'booty (or crony) capitalism' of the kind associated with the Philippines (Hutchcroft, 1994), best characterized the nature of the politico-economic in which business people had to foster and maintain 'good' connections with state elites in order to successfully run their businesses. As one scholar of the Philippines observed 'business is born, and flourishes or fails, not so much in the market place as in the legislature or in the administrative offices of the government' cited in Hutchcroft, 1994:217). A weak state and a weak business sector exchanged favours through the mechanism of informal patron-client relationships in order to ensure their mutual survival. This was the basic pattern of SBRs throughout the Muluzi regime as illustrated by the many multimillion dollar corruptions and embezzlement scandals involving top politicians and bureaucrats which are now before the courts or have recently been concluded.

1.3 SBRs under Dr. Bingu wa Mutharika

The administration of Bingu wa Mutharika, which came to power in 2004, has so far portrayed positive attitudes towards the private sector although elements of suspicion, hostility and lack of trust remain as legacies from the past. Dubbed as the 'economic engineer' to differentiate him from his predecessor, 'the political engineer', Mutharika showed his private sector inclinations when he was Minister of Economic Planning and Development in the last days of the UDF regime. He championed and oversaw the development of the Malawi Economic Growth Strategy (MEGS) which was jointly developed between private and Government sectors through the National Action Group on the Economy (NAG). Later, upon the formal expiry of the Malawi Poverty Reduction Strategy (MPRS) in 2004, he led and oversaw the development of the Malawi Growth and Development Strategy (MGDS) in 2006 which is a refined synthesis of the MPRS and MEGS and mainstreams the role of the private sector as an engine and driver of economic growth.

However, he has also shown considerable mistrust towards the private sector particularly one section of it, namely, the tobacco buyers. In August 2006 at an agricultural trade fair, the President severely criticised the tobacco buyers and accused them of exploiting smallholder farmers and Malawians in general. He branded them 'thieves' and accused them of lack of co-operation and insubordination when the leaf buyers shunned publicly dictated prices of tobacco, stating 'They argue our tobacco is of poor quality and that prices are controlled by world market. They just want to continue stealing from us', (Daily Times, 8 August 2006). The President declared open 'war' and threatened the buyers with banishment from the country if they would not operate within the expectations of his Government since all tobacco buying companies at that time were foreign-owned subsidiaries of multinational corporations: 'If they don't comply we will reach a point of difference. Then that is where one has to leave. This is my home, therefore we will see who is going to leave… I think this is war…' (ibid). To show that he was really serious, Government has courted additional tobacco buying companies in which national players include the Tobacco Association of Malawi (TAMA), a representative institution for tobacco growers, and the Government itself. The unspoken intention is to increase prices at the tobacco auction floors, as there is a strong perception that tobacco buying companies operate like a cartel and effectively defeat the purpose of auctioneering. However, despite instances of this kind, official attitudes are less confrontational and SBRs are beginning to move in the direction of more positive interaction.

Apart from the MGDS, the commitment of the current government to positive SBRs has been reflected in the various speeches delivered by the president, as in policy documents being developed or adopted and also in the more participatory manner in which they are being developed. On 24 May 2004, the President delivered his inaugural address: 'The Road to Prosperity: A new Vision for Malawi', in which he emphasized the need to 'transform the economy from a predominantly consuming and importing country to one which predominantly produces and exports'. He called for increased participation of the business community and consequently identified Private Sector Development as theme number one in the development blueprint, the MGDS. In January 2005, at the Privatization Commission, he delivered a speech that re-echoed his professed intention to focus on private sector. In 'Working with the Private Sector' he reiterated that 'the ultimate objective of [his] government [was] to empower the private sector to spearhead infrastructure development and to expand services, improve incentives and thus reduce the burden on strained public resources. Then, the two critical players in the economy, the public sector hand in hand with the private sector, must together enhance efficiency in the economy.' At the same meeting, he advanced the idea of Public-Private Partnerships (PPPs) whose modalities include the legal framework being developed by the Privatization Commission. Significantly for the theme of this present paper, he made the point that 'another way of effectively working with the private sector was to redraw the public/private relationship as a political process. It should therefore be no surprise… that political objectives play an important role in this efficiency-shaping process. The success of privatization will be either encouraged or limited by the interplay of political will and business confidence' (GoM, 2005:3).

In 'Feeding the Cow to produce more Milk', a speech he delivered at the High Level Government/ Private Sector Consultative conference in Blantyre on 17 January 2007, he outlined priority areas for the Government and how they relate to the private sector, and he challenged the latter to contribute towards the attainment and fulfilment of the national vision and even to engage in the provision of public goods through PPPs. His message was that companies should reinvest profits in the economy to make it more vibrant so that they can make more profits; but his tone implicitly reflected a continuation of Dr. Banda's mistrust in which he (Banda) had seen the private sector players as those who '…just make money, hide it and take it outside the country'; and in the statement that 'foreigners (a concept which expands and elides, to suit political purposes, to include non-indigenous, that is Asian, Malawians) still dominate the economy'. In his own words, the meeting was 'intended to create a new platform for dialogue that [would] assist in designing permanent mechanisms for sustained private sector contribution to the national vision,' by implication for the benefit also of indigenous Malawians.

A Private Sector Development Strategy and Reform Programme for Malawi (2007–2011) which seeks to build a partnership between public and private sectors to address constraints to enterprise development in Malawi and mainstream PSD in the socio-economic development of the country is being developed. The work is being led by the Ministry of Industry, Trade and Private Sector Development (MITPSD) in collaboration with Malawi Confederation of Chambers of Commerce and Industry (MCCCI), with technical support from the World Bank and the Commission of the European Union. The strategy is to focus on the following priority areas:

- Improving the investment climate
- Supporting public agencies that serve the private sector
- Supporting public/private dialogue
- Empowering the 'indigenous entrepreneur' (a theme the president hinted

at in 'Working with the private sector', and one which – as mentioned earlier – is not unusual in countries with socially plural populations)

- Improving infrastructure
- Enhancing export competitiveness
- Changing the mindset and attitudes towards the private sector.

The Workshop on Public Private Dialogue (PPD) in Malawi was convened by the Ministry of Industry, Trade and Private Sector Development and supported by the World Bank on 27 January 2007, where a 'way forward' on PPD was developed and announced in a communiqué. However, other observers argue that the GoM was 'pushed' into this workshop by the World Bank whose immediate interest is in the privatization or commercialization of water boards through PPPs. This proposal does not appear to be popular among politicians – especially those in opposition; who interpret privatization to mean 'selling off'. Opposition parties are not alone in this view as media reports and public opinion have interpreted it in the same way, namely that the PC is planning to 'sell' the water-boards because both the Lilongwe and Blantyre boards are on the Divestiture Sequence plan. Those who are opposed to it argue that 'water is life' and cannot be left to pursuits of profitability. The resistance, though based on misinformation, portrays a continued distrust in the private sector, arguing that you cannot let business play with the lives of people – water is that important. However, according to the PC, the Government has not issued any instructions to privatise the water boards by selling them off. Rather, 'the intention of Government is not to 'sell' the waterboards… [its] long term vision concerning the water sector is to be able to provide potable water to all Malawians in a safe and efficient manner. This vision includes… potential private sector participation in partnership with the Government' (PC Special Reports at: www.privatizationmalawi.org). However, the claim that GoM was pushed into the workshop by the World Bank remains unproven as background papers of the Ministry show how the workshop was conceptualized. Nonetheless, the outcome of the workshop would suggest that it was merely a forum for formalizing what was intended in the first place.

There has thus generally been a display of good will and positive attitude towards SBRs since 2004, particularly creating a forum that might help interaction and sustained dialogue and leverage the relationship towards a shared developmental vision by both the private and public sectors The challenge is whether concrete steps will be taken to journey from 'policy to practice', from rhetoric to reality, from intention to action.

2. Organizational Entities for SBR in Malawi.

In this section we try to map the formal organizational and institutional players in both the public and private sectors and where and how they interact in the course of SBRs in Malawi. We stress that our focus here is primarily on the formal institutions and relations, realising full-well that the full story of SBRs in Malawi would require a more difficult and detailed investigation of the informal institutions and links. We start with the public sector.

2.1 Public Sector

The public-private interface in Malawi has been largely issue-driven, responding in an ad hoc fashion without coherent and strategic planning. It has thus given rise to as many players in the public sector as there are issues and portfolios. Almost every ministry has a private sector and civil-society section which engages in consultation depending on the issue at hand. For example, the ministry of Agriculture or its agents engage with the Farmers Union, the Tobacco Association of Malawi, the Civil Society Coalition on Agriculture, the Tobacco Exporters Association of Malawi or the Cotton Development Association and the Parliamentary Committee on Agriculture and Natural Resources, depending on the issues at hand. Similarly, the Ministry of Economic Planning and Development engaged with private sector through MCCCI to develop the MEGS, as did the Ministry of Finance in reform of the tax regime. Although such relations are supposed to be bi-directional, the public sector has at times either seen no need for engagement or has been both weary and wary of being lobbied. Consequently, Parliamentary Committees have become conduits through which private sector interests and civil society organisations have channelled their demands, suggestions and concerns to the state. The Parliamentary committees simply invoke their powers to call for officers to a meeting at which the other side is invited. That is to say the Parliamentary Committees hear issues from private and civil society players, who in turn seek to engage with the Government on the issues. If need be, they arrange meetings where both public and private sector players are present; when the public officials do not want to appear, the Committees may simply invoke statutory powers to call for officers and papers, but the current reluctance of state officials to engage with these issues is apparent.

Nonetheless, five public sector agencies can be identified as being primarily responsible for a varied portfolio of issues with respect to private sector. These are: Malawi Investment Promotion Agency (MIPA), The Privatization Commission (PC), Ministry of Industry, Trade and Private sector Development (MITPSD) and the Ministry of Economic Planning and Development (EPD).The Ministry of Finance (MoF) is also occasionally involved, depending on issues.

Power and authority to deal with the private sector is dispersed among the public sector entities, but MITPSD is seen to be the principal agency. Over the years, the Ministry has been changing names (this is not to suggest that it will not change again) combining departments, according to the President's preferences. It has only been since 2004, with the incumbency of the current President, that 'Private Sector Development' was added to the name to replace 'tourism' (it was originally the Ministry of Industry, Trade and Tourism) probably to emphasize the new focus of his economic policy. Consequently, the ministry was restructured so that it now has 'private sector development' as an integral department with a permanent secretary who reports to the Minister. However, the PSD department is not a 'full house', 'under one roof'. The core is responsible for 'policy issues' while implementation is carried out by specialist departments and agents, such as the MIPA, Privatization Commission, Department of Trade, etc. The Ministry as a whole is naturally the first port of call for the private sector when it seeks to engage with the Government, though more often than not, stakeholders deal directly with the institution or agency that handles the particular issue at hand. However, in terms of status and political clout the Ministry of Economic Planning and Development has historically been ranked higher and currently the President doubles as the Minister himself. MIPA and PC are essentially agencies under MITPSD and the Ministry of Finance (MoF), respectively. However, during the UDF era, privatization and statutory corporations were in a ministry headed by the Vice President.

Currently, with respect to work on PPP, and with technical help from the Institute for Public Private Partnerships, the Privatization Commission is working on the development of a legal, institutional and regulatory framework for PPPs. The exercise is overseen by a steering committee which is chaired by EPD. Besides the EPD, other partners working with PC on this exercise are MoF and the Ministry of Transport and Public Works (MTPWs) (PC, 2006). Conspicuously missing are MITPSD and any private sector representatives. The absence here of 'joined up' governance suggests, again, a certain degree of ad hocery, a belief that privatization is the exclusive bureaucratic domain of the PC, that it is not understood as germane to state-business relations and, finally, that it is a function of a degree of myopia and the failure to undertake effective stake-holder analysis.

The Privatization Commission (PC)

Historical background

Due to the low levels of private sector development at independence, and also for ideological reasons, the Government of Malawi took the lead in spearheading development by establishing state-owned enterprises (SOEs) (Privatization Commission, 2004a:1)

In the 1990s government realized that it did not have comparative advantage in the management of commercial business. This was in line with the emerging role of government as facilitator rather than owner of enterprises. In addition government adopted a policy of liberalization and moved toward market based incentives and allocation of resources. Consequently the government resolved to divest its interests in public enterprise and to encourage and promote the growth of the private sector through a privatization programme.

Institutional framework

The Public Enterprise (Privatization) Act, enacted in March 1996, spelled out the objectives and guidelines of the programme and made the PC a sole authority for the divestiture of direct or indirect public enterprises.

Membership of the PC is provided for in Section 5 of the Act: 'The Commission shall consist of a chairman and such other members as may be appointed by the President by notice published in the Gazette, and every such appointment shall be subject to confirmation by the Public Appointments Committee'

However, beyond what the law provides, the actual composition of the commission includes unspecified ex-officio representatives of the Government, representatives of political parties represented in the national Assembly and members representing unspecified professional and commercial business interests (Privatization Commission, 2004a:2)

Membership of the PC, as detailed in the 2003 Annual report, is: the chairman plus seven other appointed commissioners and the following ex-officio members: Secretary to the Treasury; Solicitor General and Secretary of Justice; Governor of Reserve Bank of Malawi; the Permanent Secretary for Industry and Commerce; representatives of three political parties (UDF, MCP and AFORD); a representative of the Malawi Congress of Trade Unions; the General Manager of MIPA; a MCCCI representative; and the Controller of Statutory Corporations.

In 2004, the Commission had a chairman, six other commissioners and seven ex-officio members. Missing from the list of ex-officio members, as compared to the list in the 2003 Privatization Commission Annual Report, was the Governor of the Reserve Bank. While it is not clear why the Governor was no longer a member it is important to observe that the Privatization Act does not provide for 'ex-officio' commissioners; the presence of ex-officio members appears to be something that happened informally or through government instructions. The law only provides for appointed commissioners and representatives of political parties represented in Parliament. Again the 2004 report shows that the Solicitor general was replaced or represented by the Chief Parliamentary Draftsman. The fluidity in membership gives the impression that 'ex-officio' membership is a loose, uninstitutionalized arrangement, with people opting out or delegating their responsibilities. A secretariat was established in April 1996 with a workforce of 18 people, ranging from Executive Director to messengers and other staff. In 1997 cabinet approved a list of 100 companies to be privatized, the so-called Divestiture Sequence Plan.

The Privatization Commission is being funded by the World Bank and also meets its direct costs from the Privatization Revenue Account.

Malawi Investment Promotion Agency (MIPA)

MIPA was founded in 1991 through an Act of Parliament to do what its name suggests: to promote investment through and for private sector development. Since then it has been seen as a mouthpiece of the private sector within the public sector.

MIPA has three core departments or sections based on functions, namely: Investment promotion, Planning and Research (including policy advocacy) and Investor services. Currently the agency is championing and developing a dialogue framework to enhance SBRs. The argument is that over the years, MIPA has realized that public sector infrastructure planning is at variance with private sector requirements. However there is no dialogue framework which would enable stakeholders on both sides to interface and share notes, ideas, hopes and frustrations.

The need for a 'dialogue framework' was realized sometime ago and MIPA advocated PPPs (not PPD) because it was deemed to be an institutional arrangement that would naturally lead to PPD. The effort lapsed before bearing fruit and PPPs are now being championed by the Privatization Commission, reportedly because the World Bank which funds the Privatization Commission is pushing for reforms of the water boards through PPPs. In addition, we showed earlier that the current President would like PPPs to take centre stage in the provision of infrastructure in order to alleviate fiscal pressure on Government.

It is worthy noting that PPPs have been championed by different public sector stakeholders at different points in time depending on need/goal or convenience. This gives the impression of lack of seriousness and focus on the part of Government and there is need to understand why this is the case. One possible explanation is that PPPs are now seen as a viable way of shedding public sector expenditure responsibilities by co-opting private investors. Any such divestiture processes are legally the mandate of the Privatization Commission.

Like the other public sector agents, MIPA collaborates with MCCCI, NAG and MEJN and ECAMA and relevant Government departments/ministries and, recently, with the newly formed Indigenous Business Association of Malawi (IBAM) on an ad hoc basis. There is no formal, regular permanent structure for engagement between MIPA and its stakeholders but there is constant collaboration that is issue driven.

The Ministry of Economic Planning and Development (MEP&D)

The Ministry of Economic Planning and Development is a Government think tank which is responsible for working on economic development policies and strategies. It interfaces with the private sector depending on what issues it is dealing with. The ministry took centre stage in the development of the MPRS (Malawi Poverty Reduction Strategy) which completely ignored private sector development. It is observed that in the process of drafting the PRSP – where private sector and civil society participation was a requirement of World Bank – the GoM favoured MIPA as the representative of the private sector over the Malawi Confederation of Chambers of Commerce and Industry (MCCCI). However, MCCCI did not recognize MIPA as its bonafide representative and is reported to have lobbied the then Vice President until it finally got seats on some technical working groups (TWGs). MIPA still represented the private sector in the technical drafting committee (field interview).The rationale was that the MPRS was focussing on social sectors and it was feared that the private sector might derail the process by pushing business interests that would not be inconsistent with aims and goals of the MPRS.

The ministry also led the development of the Malawi Economic Growth Strategy (MEGS) when the current president was then its Minister. Essentially, it was a reactive and parallel process to MPRSP and aimed at supplanting MPRS with MEGS. The MEGS was jointly developed with private sector and, as Record (2006) noted, for the first time the role of the private sector in economic growth and development was outlined in a major national policy document. For Dirk Willem te Velde (2006) MEGS suggested a more responsible approach to the role of the private sector. However, the MEGS met considerable resistance from civil society and the UNDP. Their argument was that the MEGS would ‘crucify’ MDGs because of its commercial orientation as opposed to the social orientation that permeated the MPRS. It was envisioned then that if the national budget would be drafted on the terms of MEGS, budget allocations to the social sector would be affected and progress towards MGDs would be thwarted. The MEGS was, however, launched in 2004 and before it could be implemented, it was reconciled with the MPRS to produce a fairly balanced and pragmatic policy document – the MGDS.

Although there are interesting moves to establish and institutionalise more robust arrangements for improving SBRs, it will be seen from the above that the state side of formal SBRs in Malawi has not thus far been characterized by coherence or consistency. Certainly, there has been no single ‘pilot agency’ (Johnson, 1982) or co-ordinating ministry, department or agency on the model of the East Asian developmental states (or even the equivalent in Botswana) (Leftwich, 1995). Various ministries, agencies and departments have been involved in interaction with the private sector, reflecting perhaps the legacy of the ideological uncertainty and inconsistency of the political elites toward business, the early and experimental stages of post-reform SBRs and the inevitable institutional weakness in a recently-democratized, poor and emerging state with a mixed record of bureaucratic autonomy and performance. Although the MITSPD is now held to be the dominant ministry with responsibility for SBRs, it is clear that there is as yet no ‘Well-ordered hierarchy among ministries’ which could contribute to ‘coherence in the policy process because it controls the delegation of authority from a lead-line ministry to others’, as was the case in Chile in the 1970s and 1980s (Silva, 1997:154). The plurality of state institutions involved in Malawi certainly contributed to a more ‘porous’ state (Silva, 1997:155), creating more openings for particularistic interests to establish preferential links and relations. As we suggested in the opening section of this paper, hoping for the speedy evolution of effective public agencies within the state to engage in effective and developmentally-committed SBRs in such a context may be unrealistic. More controversially, the values, norms and attitudes – especially those which recognise a legitimate and clear distinction between the public and the private realm as the necessary basis for productive relations between state and business – are still in the process of evolution. So too is the development of the class forces and their organizational expression that will both shape and reflect the development of Malawian capitalism, as will become more clear in the following section.

2.2 Private sector

The private sector in Malawi remains a minor player in the economy and consists largely of ‘small businesses’ by international standards, as we pointed out earlier in the background section. Individual businesses with similar or same interests tend to coalesce into representative groups, usually in the form of business associations, which interface with the public sector authorities as and when issues arise.

However, they are largely informal or semi-formal, operating in the informal sector, localised and without wider public policy interests, such as the informal taxi-drivers and street vendors groups in most major towns, and even an emerging group of cell-phone repairers. Some of these groups (e.g. the vendors) are beginning to interact more positively with the authorities to protect or regularise their interests but have no representation within the established business associations. There are few and, in some sectors no, national organizations for these groups at all. As Richard Record (2006) observed, there is a 'missing middle' in the business field, yet growth is most likely to come from that section. Despite this, the MCCCI is generally accepted as the apex representative institution of the private sector.

The Malawi Confederation of Chambers of Commerce and Industry (MCCCI)

The Malawi Confederation of Chambers of Commerce and Industry (MCCCI) is a partnership of both enterprises and associations which aims to provide a cross section representation of all sectors of the economy of Malawi. The MCCCI prides itself by way of a slogan as 'the voice of the private sector'.

Established in 1892 as a chamber of agriculture and commerce focusing on agricultural production and trade, the chamber has developed over the years. Its mandate to be the voice of the private sector is not statutory but has evolved historically through the interests and aims of its membership in the 1900s.

In the early 1900s, the Chamber supported the emergence of merchants' and traders' associations. It later amalgamated with the emerging business-focused organizations. Its name was no longer an accurate reflection of its composition so it changed to the 'Associated Chambers of Commerce and Industry' and was mandated by its membership to speak for all private sector concerns in dealing with Government (the then colonial government) on issues of trade and commerce and in relation to the various sectoral impacts of Government policy. It later changed its name to the 'Malawi Chamber of Commerce and Industry'.

From 1892, the Chamber was a small, centralized organization with only one office in Blantyre. But a century later, in the 1990s, regional chambers were established to reach out to all businesses in all sectors of the economy regardless of size, nature and location. They are in Mzuzu in the North, Lilongwe in the Central Region and the HQ remain in Blantyre in the Southern region. Consequently, in 2000, the name changed to 'Confederation of Chambers of Commerce and Industry'. It must be noted though that the idea of 'regional chambers' was not necessarily new. It was on the cards in the 1970s to establish a MCCCI 'branch' in Mzuzu to take care of business interests in the North and a similar branch in the central region, Lilongwe branch, was already active and operational(information culled from various undated MCCCI publications).

Membership

Membership of the MCCCI is not obligatory on businesses or business associations. It is optional and all members pay an annual subscription fee. The MCCCI constitution clearly stipulates in clause seven that the fees are payable annually in advance, before January, and failure to pay by the first day of February results in the withdrawal of the privileges and benefits of membership. If subscription fees are not paid by the first day of March, membership to the chamber is cancelled. One result is that formal membership as recorded on the organization's database fluctuates considerably. Moreover, Associations and their members can be members of MCCCI and can belong to any category. 'We encourage members of associations to join MCCCI as individual companies', we were told.

For example, various MCCCI publications, especially the monthly newsletters, show that membership has been fluctuating between 200 and 370; in September 2000 membership was around 370, and then declined to 308 in 2004 and dropped further to 254 in 2005, 'largely as a result of category rationalization and increase in membership fees….the majority of micro businesses opted out of membership of MCCCI (MCCCI Monthly Bulletin, February 2006 pg 2). As of 16 March 2007, the membership was at 240 (www.mccc.org/membership); this figure is less than the 373 registered members in 2006. An official of MCCCI believed that the number of members would increase, as some organizations have not yet renewed their membership, however, an accessible list of membership according to categories and regions has only 114 entries. The unreliability of data suggests that the MCCCI does not keep up-to-date records, especially of lower-category members, and that members tend regularly to come and go, or not pay their fees in time.

It may well be that others are discouraged from joining the Chamber as it appears to leave out many businesses and business associations from its fold, such as the Minibus Operators Association, the Bankers Association (although some individual banks are members), the Cotton Development Association, Musicians Association of Malawi, National Association of Business Women (NABW), Hawkers Association of Malawi, Exporters Association and possibly others.[9]

However, this small number of members of the MCCCI means that it is very unrepresentative of the private sector. According to the National Statistical Office (NSO) a national household survey showed that some 273,000 household heads (9.8% of households) were engaged in some form of formal 'business' activity and 146,642 (5.3% of households) were engaged in some 'informal' business activity (in which

9. We say 'possibly' here because the membership lists of the MCCCI are not up-to-date and we encountered some resistance to our enquiries with regard to membership and the distribution of offices and authority (especially on the Council) within the Chamber.

the MCCCI has no interest). A third of the formal businesses were in the urban centres. According to the World Bank's 'Micro, Small and Medium Enterprises: A Collection of Published Data' (World Bank, 2007) there were considerably more 'enterprises' – some 747,000 – of which over 90% were micro-enterprises. Given the definition of 'micro' for Malawi (employing 0-4 people) it is highly likely that a considerable number of these will have involved self-employment.

Membership of the MCCCI is organized in terms of a set of named categories, each of which is determined by the membership fee paid by the member. These were last revised in 2005 and the categories which were initially named by letters of alphabet were changed to sound more business-like with enhanced membership fees and benefits as tabulated below:

Table 1

Membership Category	Fees in MK	Benefits (inclusions and exclusions) that distinguish the category*
Platinum	125,000 ($890)	• Eligible for presidency, deputy presidency and membership of the MCCCI Council • Eligible to represent MCCCI on government committees, task forces and international for a *fora* • Core member of the PPD team on relevant issues at presidential, ministerial and parliamentary levels • Participate in setting the agenda for PPD • Business profiling on website • Five votes
Gold	100,000 ($714)	• Four votes • Eligible for presidency, deputy presidency and membership of the MCCI Council *Note: the other benefits in the platinum do not apply*
Silver	65,000 ($250)	• Eligible for nomination to Council only • Three votes
Copper	35,000 ($250)	• Two votes •*Cannot use MCCI documentation centres for free •*Cannot receive copy of published annual report as well as ad hoc survey reports
Aluminium	25,000 ($178)	• One vote • Monthly briefs on global, regional and national economic trends • Linkages to suppliers and markets
Bronze	15,000 ($107)	• One vote • Listing on the MCCCI website and indicate on letterhead Company's membership with MCCCI • Invited to MCCCI regional chapter meetings • MCCCI membership certificate • Listing in the MCCCI annual report by category • Listing in any business directory publicatoin by MCCCI • Invitation to general meetings • Annual listing in the newspaper

Source: Data in this table was extracted and synthesized from MCCCI Announcement for Renewal of Membership for the Year 2007.
*This column captures benefits that accrue or do not accrue to members of a particular group and so identifies the group from the rest. Note that there are generic (basic) benefits that accrue to every paid up member. Those are not considered here except for the last group which is all it has.

A few points are worth making about the detail in the above table. First and most important for a consideration of SBRs is that participation in PPD is the exclusive rights of members in the Platinum group. In trying to find out what the implications of this might be for non-Platinum members, and whether there was any mechanism for eliciting and expressing the views of members in the lower groups, it became apparent that there are no clearly spelled out and systematic mechanisms within the chamber through which voices and interests from below can be articulated for the purposes of PPD. Crudely stated, it would appear that the members of the platinum group 'think and speak' for everybody. It means that 'how much your voice will be heard' depends on how much you can pay: those with more money can be heard more and their input in decision making carries more weight as they have more votes and are eligible for decision making positions. When asked about this, an official of the MCCCI responded: 'Go up if you want your voice to be heard'.

The apparent rationale of this would not surprise J. S. Mill who argued that 'although all individuals have a right to be represented, not all… opinions are of equal value' (Heywood, 2002:225). In this (Burkean) model, representation is held to be a moral duty in which those members with good fortunes (educationally or financially) should act in the interest of those who are less fortunate (ibid). The presumed direct relationship between 'more money' and altruism is, to say the least, questionable, especially in the absence of mechanisms for systematically expressing and representing voices from below.

Thus the Chamber can be described as an organization for 'big business' and is obviously not representative enough as membership is optional and effective membership is expensive. The combined effect of these two aspects has been the alienation of a substantial number of micro, small and medium businesses which, even if stagnant and effectively part-time, form the overwhelming majority of enterprises in the private sector.

Moreover, the smaller businesses in lower membership categories are either free riding on the efforts of those in the Platinum group in so far as PPD is concerned or they are exploited ('suckered' in the language of some literature on collective action) in that they derive few benefits from their membership and hence to some extent subsidise the higher categories of membership. The decline in membership could support the latter point in that those in the lowest categories enjoy so few or such insignificant benefits that it is hard to see what difference there is to the position of non-members.

Membership distribution according to category and region:

As the table below shows, the prominence of the south and centre of the country in the membership (incomplete table) is apparent.

Table 2

Category	South	Centre	North	Total
Platinum	24	14	0	38 (190 votes)
Gold	8	3	1	12 (48 votes)
Silver	9	9	1	19 (57 votes)
Copper	9	5	2	16 (32 votes)
Aluminium	4	4	3	11 (11 votes)
Bronze	6	8	4	18 (18 votes)
Totals	60	43	11	114

The scope of membership of MCCCI in terms of sectors is encompassing as it includes manufacturing, distribution, services, transport, trading and agriculture. However, the membership is thinly spread and does not command depth relative to the size of the various sectors. Placement of the various companies into the various sectors is also problematic as it entails multiple counting as businesses may have a diversified portfolio of activities, but also as there are no clear criteria within MCCCI for categorising the companies. Distinctions between service, banking services, financial services, or between farming, agriculture, tobacco and agro-processing are less useful for analytical purposes. Suffice to note that the majority of members are in the platinum with a distribution of less than ten members across the regions from the other categories. This indicative fact serves to confirm the thesis of a 'missing (or weak) middle' which is central to the agenda of pro-poor growth.

Membership also does not reflect differences between single enterprises and business associations (BAs). For example, the Tobacco Association of Malawi (TAMA) has over 80,000 members ranging from companies to individuals, but it is TAMA that is a member of the MCCCI and its own members are not necessarily part of MCCCI. TAMA therefore enjoys benefits equal to those enjoyed by a one-man business, an arrangement that affects the representative nature of the MCCCI.

Over-representation and therefore exercise of more influence is further attained through multiple membership within the same membership category and across the categories, especially for 'big' business. This phenomenon is evident with tobacco buyers – a group (syndicate) of companies that has considerable influence in politics and policy-making. All the tobacco buying companies (as of January 2007) are members of the Tobacco Exporters Association of Malawi (TEAM) which is a platinum member in MCCCI. However, a few individual companies are also members in the same and/or other categories in their own right. For instance, Limbe Leaf Tobacco Company and Africa Leaf Malawi are both members of TEAM and are also in the platinum group. Thus each one of these companies and also their representative association has four votes. Further, some individual companies in the platinum category have their subsidiaries registered in the other categories: for example, JP Stevens Tobacco Company is associated with Limbe Leaf and is in the Gold category with three votes. This situation dramatically increases the number of votes accruing to one group of stakeholders and therefore skews the balance of power and influence.

MCCCI contains members with diametrically opposed interests but there are no publicly known rules as to how it mediates these opposed interests. For example, TAMA advances and protects the interests of all tobacco growers and TEAM protects those of tobacco buyers and exporters. In the recent past, these interests have been at odds, with Government at the highest level backing the cause of growers, as exemplified by the President's speech in August 2006 at the Agricultural Trade Fair, mentioned earlier. The conflict of interest among the membership obviously affects the representative character of the Chamber, especially given that the totality of votes for some interests outweighs others – but we need to know much more about how the internal politics of the MCCCI operate.

The table above also shows that proportionally, the Platinum category has the biggest share of the membership – and also the single biggest number of votes – hence confirming the view that the MCCCI is a largely elitist organization which is more effective for, and representative of, the interests of big business. The overwhelming majority of current (2007) Council Members of the MCCCI are drawn from the Platinum and Silver membership categories. It might not matter unduly if the MCCCI were a better representative of the interests of smaller businesses, but this is not the case as it lacks any internal institutional arrangements for systematically eliciting and expressing the voices from its membership in the lower categories. In addition, and crucially, the membership of MCCCI is a very small fraction of private sector enterprises as a whole. There is little evidence to suggest that the Platinum group members who are actively involved in PPD and who formally represent the private sector on Government committees and in other decision-making processes, act in the interest of either its lower category members or the wider community of small businesses.

The MCCI and the state

At least since the 1990s, the leadership of MCCCI was composed of people who were politically-connected to the regime and hence acted both as 'insiders' and as 'gatekeepers' for private sector voices. One by one, many of the leaders since the 1990s have left the Chamber to join mainstream politics; their case studies are instructive in that respect:

1. Mr Bakili Muluzi was an influential member of the MCCCI before he founded the UDF in the early 1990s and subsequently became President of Malawi. Most of his early core group were also members of MCCCI. Other notable names that launched their political careers from or whilst they were members of MCCCI included the following:
2. Harry Thomson was Chairperson of MCCCI form 1984 to 1993 when he moved into mainstream politics as an executive member of UDF. He became senior cabinet minister in the UDF government under Bakili Muluzi holding different portfolios including 'Leader of the House' in Parliament. He fell out of grace in the early 2000s when he opposed Muluzi's open and third term bids for the Presidency and was removed from the Cabinet. In 2002–2003 he was a presidential hopeful.
3. In 1997, Mr Mark Katsonga, a man with political ambitions, took over leadership of MCCCI until 2001. He later joined a political party called People's Progressive Movement (PPM) under the leadership of Aleke Banda (who had been dismissed from the Muluzi Cabinet for opposing the open and third term bids for the Presidency). Note that Aleke Banda was the Minister around whom STAFE – see below – revolved. Both Mark Katsonga and Aleke Banda are now members of Parliament with influential positions in the Committee System.
4. Mr Koreia-Mpatsa who some have described as a 'failed politician' came to the helm of MCCCI in 2001 and withdrew in 2003 when he went into active politics ahead of the 2004 elections. Before leaving MCCCI he had founded the PPM but later dumped it after the party's convention chose Aleke Banda to be its presidential candidate. He later teamed up with Mr Malewezi, former Vice President of the Republic who resigned from UDF in opposition to moves to perpetuate Muluzi's rule. They ran as Independent Presidential candidate and running mate respectively.
5. Mr Martin Kansichi succeeded Mr Mpatsa at the chamber from 2003 to 2005. He resigned from the chamber when Dr. Mutharika appointed him as Minister of Industry, Trade and Private Sector Development. He was later dropped in a cabinet reshuffle.
6. Mrs Agrina Mussa, wife to Henry Mussa (Minister of Transport and Public Works) whom the Government appointed as Chairperson of Electricity Supply Commission of Malawi, took over the MCCCI mantle form Mr Kansichi for a few months before Dr. Mutharika appointed her to a diplomatic post in South Africa.

It is thus clear that there has been a close association between influential and leading members of the MCCCI and the government of the day, and traffic between the Chamber and government office has been significant. Whether that has helped to build the mutual independence and autonomy of both the state and the leading business organization, or not as the case may be, remains to be seen; and whether it has been the basis of an emerging 'growth coalition', characterized by 'embedded autonomy,' or whether it is consolidating a new 'clientelistic network' along the lines of what occurred in the 1960s and 1970s in the Philippines (Haggard, Maxfield and Schneider, 1997:54) will greatly influence the future politics of SBRs in Malawi. Officials in the MCCCI indicate that reforms have been put in place within the organization which will help to avoid the impression of it being a 'launch-pad' of political parties – and politicians – and which will make it a more independent and autonomous representative of the private sector. Time alone will tell.

Current organization, funding and ideology of the MCCCI

The MCCCI has a staff of 16 people, including front desk staff, messengers and drivers. Of these 16, only 8 including the CEO are professionals, spread across three sections: Economics & Research, Customer Relations (with the biggest share of staff) and the Government Affairs Executive where there is only one post at a grade below that of a section Manager. At the top of the secretariat is the Council of the MCCCI – composed of members of the business community who are also members of MCCCI and drawn from the Platinum and Gold classes of membership. It is responsible for policy direction.[10] Funding for the MCCCI recurrent budget is realized form membership fees and other services that the MCCCI provides such as fairs, dinners, workshops and the rentals which tenants pay for using the MCCCI premises. It has previously received support from donors such as the African Capacity Building Fund (for the development of the Strategic Plan and also for the establishment of a resource centre), GTZ (for Research-surveys) and USAID (for SME development). World Bank support for PPD work is yet to start.

The MCCCI exists to serve its members (members of the business community that are its members) and the business community at large (including non-members). The Chamber views itself as the voice of the private sector. Its mission, vision, core values, key goals and objectives are spelled out in Section 3 of the new MCCCI Constitution, thus:

3.1 To promote trade, commerce and industrial development in Malawi in a competitive and minimally regulated business environment;
3.2 To assist the business community by promoting and advocating for a conducive business environment in Malawi;
3.3 To encourage competition in the economy;
3.4 To strengthen the efficiency of production and distribution of goods and services;
3.5 To promote, improve and encourage the development of business;
3.6 To secure the best possible conditions for the freedom of trade;
3.7 To facilitate the expansion of the base for entrepreneurship;
3.8 To advise government on matters relating to business and the socio-economic impact of business on Malawi;
3.9 To promote the interests of the business community;
3.10 To provide for matters incidental or connected with the above;
3.11 To work in partnership with and affiliate itself to any appropriate Association or Society or other organisation, charitable or non charitable, within or outside of Malawi to facilitate and enhance the Confederation’s aims and objectives; and
3.12 To make representations to Government or any competent authority or body corporate with a view to promoting and developing commerce and industry.

Indigenous Business Association (IBAM)

The Indigenous Business Association of Malawi (IBAM) began in 2003 and is not yet well established. It has an interim committee which also constitutes its known membership and at the moment it runs on a voluntary basis in that its members personally meet the costs of their operations. A general assembly is in the offing to discuss issues of membership which are expected to be controversial because the word ‘indigenous’ smacks of racist orientation.

The origins of the IBAM can be traced to the expressed frustrations among ‘indigenous’ Malawian businessmen who claimed that all big (lucrative) business from Government was being awarded to ‘Asians’ (meaning mostly Indians) and other foreign companies without requiring local partnership. Although the IBAM representative was unable to cite any specifics with respect to this issue, MCCCI southern region members in August 2006 observed that Government had given Paladin Africa Ltd, an Australian mining company, a 16 year tax holiday and ‘they wondered why government does not require local participation in companies that benefit from tax holidays.’ This shows that generally there is a perception in the ‘indigenous’ private sector that government favours foreigners. The idea behind IBAM therefore was to create a ‘voice for Malawians’ – an organization that could handle issues affecting the business affairs of indigenous Malawians. MCCCI, it was felt, was not a suitable body for this purpose because it ‘represents everybody including foreign interests, it stifles the voice of small companies and many businesses run or owned by indigenous Malawians are small, have working capital problems and cannot afford to waste their hard-saved capital funds on a membership whose tangible benefits are rather illusory’ (interview with IBAM representative). This point is buttressed by the observation that a former chairman of MCCCI from 1997–2001, who subsequently went into full-time politics and then became a Member of Parliament in 2004, has his business now registered in the lowest membership category.

IBAM appears to draw further inspiration from the beliefs of its members and media reports that in the privatization programme, Malawian participation has been minimal and the institutional matrix

10. Despite efforts, we had great difficulty in discovering which members sat on the Council, but in the end we were able to find this out, but have not been able trace their wider linkages, if any, into the political domain.

for privatization has effectively transferred public enterprises to foreigners. The PC acknowledged this perception in its Annual Report for 2004, saying that 'the perception that the SOEs are being sold to foreigners is made worse by existing prejudice against members of the Asian Community, who are seen as shrewd business people who can control prices and do not have the interests of Malawi at heart and will leave Malawi if times get tough' (Privatization Commission, 2004:16).

While it is true that the participation of Malawians has been small, this is not attributable to the institutional matrix within which the privatization programme is implemented. On the contrary, at least by design, the institutional arrangements are such that they have deliberate inbuilt mechanisms to enable participation of indigenous Malawians in the privatization programme. With respect to the first point, it should be noted that by June 2004, eight years after launching the privatization programme, a total of 64 out of 100 entities in the Divestiture sequence plan had been transferred to the private sector. Of these, Malawian individuals acquired 48%; Malawian companies got 18% while the balance of 33% was purchased by foreigners (Privatization Commission, 2004: 9). For example, Blantyre Dairy was bought by Dairibord of Zimbabwe, Chigumukire Lodge by Safari Camp and Tours of Kenya/South Africa, Finance Corporation Ltd by NEDBANK of South Africa and Grain and Milling Company by Bakhressa and Company of Tanzania (Privatization Commission 2004a:17–18) However the privatization authorities are aware that 'per capita participation of non-Malawians in the economy is greater than that of indigenous Malawians' and thus has provided mechanisms to facilitate indigenous participation.

In particular, there is a privatization special fund which by June 2004 had disbursed about MK135m, discounts are offered to Malawi citizens as are generous deferred payment schemes (PC, 2004:9).Thus factors other than the institutional matrix for privatization could be responsible for the dominance of foreigners in the Malawi economy.

However, based on their perceptions, IBAM would like to 'warehouse' shares for local Malawians to enable them participate in the privatization programme at their own pace. 'If the private sector is the engine of growth', they argue, 'the indigenous sector is the crankshaft in the engine' (interview with IBAM representative). One of IBAM's objectives is to facilitate the formation of mutual partnerships between local and foreign investors – a similar agenda to that of MIPA in the public sector, with focus is on skills transfer and capacity building.

It is important to note that IBAM had difficulties getting registered as an Association because Ministry of Justice raised concerns about the use of the word 'indigenous'. However they got support from the Head of State and Government who invited them to State House after watching a television show on IBAM in 2005. It should also be noted that the President has also expressed his intentions of giving special focus to indigenous Malawians. For instance, in his speech, 'Working with the Private Sector', he said: '…my Government will also seek to establish or encourage the establishment of the Malawi Development and Investment Bank which… will promote joint venture capital funds to promote the effective participation of indigenous Malawians in industrial development and trading of our country.' It was also for the same reason that Dr. Banda restricted 'Asians' from trading in the rural areas. This shows that the concern with 'indigeneity' is not new and not only is a concern for the businesses but also of the leaders of the country. The question is whether the domination of foreign enterprise over time will influence how SBRs evolve in Malawi. Certainly issues of this kind are not unique to Malawi and have cropped up in Ghana, Kenya, Thailand, Malaysia and Indonesia. Recent calls for followers by a group proposing to form an Indigenous Garage Operators Association (IGOA) suggests that the issue is by no means dead and time will tell if the issue of 'indigeneity' is gaining momentum within Malawian business politics.

The MCCCI would prefer IBAM to join it and not stay outside its ranks, and it also believes that IBAM should welcome any foreign investment which contributes to job-creation and wealth-creation in Malawi. MCCCI is not sympathetic to arguments about 'indigenous' issues.

3. PPD Institutional Arrangements and Processes for SBRs

The sections above have attempted to show that the institutional preconditions for coherent and effective SBRs in both the public and private sectors in Malawi have been weak, and that relations have tended to be ad-hoc, issue driven and disjointed and have often taken the format of 'consultation' in which the public sector entity is the 'master' and only consults as a matter of good will and good practice rather commitment and appreciation of the role which the private sector might play. Such consultation has often degenerated into 'briefing sessions' in which the public sector puts on the table what it has prepared and reacts to questions from private sector stakeholders in a more defensive than consultative manner.

However, there are instances in which genuine consultation has taken place leading to policies, strategies or other products that are really results of collaborative effort – for instance, PPD was effectively used in the development of the MEGS. Even IBAM reported that it now receives invitations from Government (EP &D) and that it has been brought into the mainstream process for developing the 'National Empowerment Policy' which the President has announced will be adopted and launched soon. Similar efforts are seen in the development of the Malawi Private Sector Development and Reform Strategy which MITPSD is undertaking jointly with MCCCI, as well as several other initiatives including budget consultations. However, such consultative efforts remain ad-hoc, issue driven and centred on the personality of the person in charge – coherence of strategy and attitude to SBRs remains to be built.

3.1 Special Task Force on the Economy (STAFE)

The Special Task Force on the Economy (STAFE) was the first, though little known, public sector attempt – after 1994 – to institutionalize public private dialogue (PPD). It was largely an accountability forum which began in 2000 and was chaired by the Minister of Finance who was its initiator and later became Minister of Agriculture in a cabinet reshuffle.

STAFE comprised Cabinet Ministers, CEOs of parastatals as well as other private sector representatives who were chosen by the Minister and his staff; it reported directly to the President and met monthly. STAFE was a forum where difficult questions were asked, pledges of action were made and both public and private high-level decision makers were made to account for their actions or inactions and recommendations, with time-frames, were made. The effectiveness of STAFE, however, revolved around its chairperson who was known to be dynamic, visionary and hard working. He later fell out of grace with the President for opposing an unconstitutional third term for the president and was consequently booted out of cabinet and with him went STAFE in 2002.

3.2. National Action Group on the Economy (NAG)

The NAG was born out of a national workshop on private sector development that was held in mid-2001 and was jointly convened by the Minister of Finance and the CEO of Press Corporation. The workshop which drew participants from among senior public and private sector leaders prioritised sub-sectors for national focus and recognized the need for a high-level dialogue on many issues (note that the CEO had been Minister of Finance in the same Government).

The NAG arose to fill the gap created by the defunct STAFE. The responsibility could not be entrusted to MCCCI, an organization that had for a long time been the dialogue partner of Government on private sector development issues, because 'the chamber became a breeding ground for politicians who frustrated business interests' (Interview with MITPSD personnel).

Like STAFE, the NAG was not an organization per se, but a representative forum comprising Government Ministers, senior officials, key private sector captains and Donor representations. Fora of this kind, to promote better relations between public and private sectors, especially during times of transition and restructuring, have not been uncommon in Africa and elsewhere (Hart, 2001). Composition of these fora have varied, sometimes including labour and wider community interests (as with NEDLAC in South Africa), sometimes not. In the case of NAG, the emphasis was on heads of the institutions i.e. people with decision making powers who could commit their organization and/or resources.

The NAG arrangement provided for the co-chairmanship of the Minister of Trade and a CEO from the private sector; until it became defunct, the co-chairman was the CEO for Press Corporation.

Initially the NAG process was supported by two local consulting firms interested in private sector development (Kadale and Imani Consultants) until in late 2002 when DFID funded a secretariat to perform certain tasks, including:

- Supporting and facilitating the NAG process.
- Convening the forum.
- Establishing supplementary (sectoral) dialogues.
- Undertaking policy and issue analysis.[11]
- Ensuring follow up on agreed actions.

The two consulting firms, owned by UK citizens supported the secretariat and this somehow came to symbolise the NAG, or were perceived by some to be NAG itself. It is also important to note that the two firms were members of MCCCI but not in the Platinum Group. Thus in constituting the NAG secretariat, they created an opportunity for themselves to be part of the PPD process, a 'benefit' their membership to MCCCI did not allow them. The secretariat was a joint government-private sector-donor institution (i.e. two local consulting firms on a part time contract, two officials from two key ministries and a part-time person seconded from DFID).The rationale for such an arrangement was to provide each stakeholder group with a point of access. Other societal interests, such as labour and civil society organizations, apart from a few 'economic-related civil society partners' (Agar and Kaferapanjira, 2006:2), were not included.

11. For example in 2004 they carried out an analysis on the clarity, objectivity and transparency in awarding investment incentives particularly discretionary tax incentives and fairer mechanisms to adjudicate on mattes of taxation which resulted in removal of the Minister discretionary power to on tax incentives in 2006. They also did an analysis on improvements in key service utilities, namely, electricity, telecoms and water. While the briefing document notes that progress was made on electricity and telecoms, "'No progress on water-boards' privatization' was made.

3.3. Objectives and Structure of the NAG

At the beginning NAG reacted to events, addressing issues as they arose, until in 2003 when the forum resolved to be pro-active by developing a 'business plan for Malawi'. This effort resulted in the Malawi Economic Growth Strategy (MEGS), which was a joint public-private strategy for private sector development. In this effort, the Minister of Economic Planning and Development was personally involved before he became President in 2004. The MEGS identified poor private and public co-operation as a cross-cutting constraint to poverty –reducing growth, among others. In particular, it was noted that the 'chamber of commerce [had] generally failed to win the trust and confidence of the private sector to act as an effective mouthpiece for the private sector' (GoM 2004:10). It advocated for a recognised, representative and legal institution that would serve as a liaison between the two sides in the form of a 'business council'. In terms of proposed strategies, the MEGS, was largely inspired by a neo-liberal orientation: it aimed at achieving high economic growth through the stimulation of trade and investment and restoration of macroeconomic stability – the target was 6% of growth which was deemed to be the minimum required to make a significant dent on poverty – and in particular it called on government to create an enabling environment for markets to function effectively. For the agricultural sector, it advocated outward looking and export oriented rather than import substituting strategies (ibid:16–25).

The NAG process, a self styled PPD mechanism had three overarching objectives:

- To ameliorate the business enabling environment through dialogue and action.
- To establish mechanisms for dialogue and/or strengthen existing ones.
- To work towards changing attitudes to dialogue and entrench the culture of engagement between private and public sectors.

NAG worked through a two layer structure consisting of the main regular forum and sub-sectoral fora. The main forum would meet bimonthly and discuss many issues including taxation and its administration; business and investment climates; reforming MIPA to increase its accountability to private sector and Government; reforms in service utilities; reforms in forex regulations for exporters; and oversight and appointment of board members for statutory corporations. It should be noted that some of these issues were identified in the MEGS. Decisions were arrived at by consensus and more often than not, the burden of 'acting' on resolutions fell on Government rather than the private sector. It was patronized by key economic ministers and officials, key public sector institutions, namely the Central Bank, the Privatization Commission, MIPA, leaders of parliamentary economic committees, CEOs of leading investors, other private sector representatives and Heads of Mission of development partners.

The second layer of sub-sectoral groups had public and private representation and addressed specific sub-sectoral issues, for instance to do with textiles (that is how to take advantage of Africa Growth opportunities Act of the USA), mining (especially the need for geo-mapping and tourism), and referred issues which they could not resolve in the main forum.

The NAG process was characterized by a lack of legal status as a deliberate choice and instead relied on collaboration and commitment from the different stakeholders. It experienced pressure to formalized and compel involvement and justify demands for accountability. Such pressure was resisted on the ground that NAG was merely a forum and not an organization, and that calls for formalization essentially confused the form of a process with its function. It was therefore in basic terms a 'talking shop' but with the difference that a few concrete achievements could be enumerated. However, lack of formality partly contributed to its downfall in late January 2007, following the January 2007 workshop on the 'way forward'. Though formally finished, the aims, dynamics and processes remain largely the same within the new PPD arrangement, housed in the MCCCI.

3.4 Achievements of the NAG PPD process

A number of achievements of the NAG process as a PPD mechanism include: reforms in tax administration and tax regime – particularly the removal of the minister's power to grant discretionary incentives and extension of payment periods for provisional tax; development of the MEGS – a public/private business plan for Malawi which has contributed significantly to the current development policy and strategy; policy changes and problem solving in key priority sectors particularly in the supply of electricity; and helped MCCCI to revamp and reorient its governance and lobbying effectiveness, i.e. shifting the focus more onto 'enabling environment' activities than on the more survivalist revenue-raising activities (Agar and Kaferapanjira, 2006; GoM, 2006a).

3.5 Challenges, the Fall of NAG, and Current efforts to (re)institutionalize PPD Challenges

In its short life, the NAG became the focal point for regular dialogue between the government and other stakeholders, but also faced many obstacles and challenges which finally brought about its demise; the last time that NAG was convened was April 2006. This section highlights those challenges and exemplifies the politics of SBR even further.

To begin with, it was simply 'too informal': NAG did not have formal authority over any of the stakeholders; participants could agree to take action and commit their organizations to be accountable to the group; and there was no legal or quasi legal enforceable sanction for failure to deliver on agreed commitments – the process relied on peer pressure. Consequently NAG sought high-level representation involving heads of institutions that could make decisions without referrals. However, due to lack of 'mandate' it was regarded as a 'talk show' and in subsequent fora high level people started delegating to juniors.

Second, the NAG process was not representative enough in that it was relatively small, arguably to allow for open and robust dialogue between those who knew each other and their perspectives. Participation in the forum was by invitation; it was not representative of the diversity of the private sector or of the wider community, which could be a result of MCCCI being the main private sector representative in NAG. Critics described (or misrepresented) the NAG as being 'too white, too British, too donor-driven, too big-business oriented, not delivering quickly enough and so on' (Agar and Kaferapanjira, 2006:5) and therefore just as elitist and unrepresentative as the MCCCI. It is worth noting however, that sometimes criticism of this kind flowed from those in the private sector who saw the NAG process as impeding or threatening their interests and government officials (who were also not averse to criticising the process) also resented a coherent private sector which seeks accountability, something to which they have not been accustomed (ibid).

Third, lack of formal membership and lack of a formal mandate appear to have fuelled the perception within MCCCI and Government that the NAG was merely a forum of 'busybodies', not doing enough for the private sector. The fact that the NAG was facilitated by a secretariat that was predominantly white (and British) and funded by DFID was regarded by some quarters as only a means of creating jobs for expatriate white officials from the United Kingdom.

A fourth challenge that helped precipitate the fall of NAG was the perception amongst public sector participants of 'state and donor capture' by private sector players. The belief was that NAG had become a forceful forum not so much for accountability but for decisively influencing Government and/or donor policy to the benefit of the private sector. Consequently public sector players began sending low-level officers without authority to commit their organizations or make decisions.

On 27 January 2007, representatives from both public and private sectors met to discuss the future framework for PPD and issued a joint communiqué that effectively became the epitaph of the NAG process. The meeting was initiated by the Ministry of Industry, Trade and Private Sector Development and was convened following NAG procedures. Therefore, formally, it was convened by the co-chairmen of the NAG forum. The language of the communiqué suggested strongly that both private and public sector players were suspicious and not comfortable with the NAG arrangement.

3.6 Current efforts (the proposed way forward after NAG)

The proposed Public-Private-Dialogue (PPD) structure as outlined in the communiqué of 27 January 2007 (see above) is a modification of the NAG arrangement to make it more acceptable with renewed commitment from the Government side. In some respects it is similar to other attempts of this kind in Africa, such as the National Economic Forum (NEF) in Ghana, the National Forum (NF) in Uganda, the National Economic Development and Labour Council (NEDLAC) in South Africa, and the less successful National Economic Consultative Forum (NECF) and Tripartite negotiating Forum (TNF) in Zimbabwe. Each had a distinct composition and set of goals and activities, but all sought to 'bring together relevant actors from government and business, and sometimes labour and other constituencies, to weigh the merits of various policy options, identify problems, air grievances, propose solutions and attempt to forge a consensus on how to implement economic reform' (Hart, 2001:1 and passim). The PPD in Malawi will, however, be less inclusive than, say, NEDLAC has been in South Africa whose membership includes trade unions.

A PPD secretariat will be a unit of its own within the MCCCI, and will employ an economist and a co-ordinator. Other services will be contracted out where necessary. As part of its private sector development programme, the World Bank will fund the project for its first five years and, after that, the MCCCI will take over. Non-MCCCI members may be invited to functions, but there appear to be no formal mechanisms for eliciting wider opinion and co-operation, and hence PPD interactions will probably remain confined to MCCCI members and, in all probability, to Platinum Group membership. As has happened in other developing countries, the dominance of one peak business organization, such as KADIN in Soharto's 'New Order' in Indonesia (Macintyre, 1994b) or the APRT[12] in Togo (Heilbrunn, 1997), with special or

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favoured links with governments and departments of the state may promote collusion, antagonise non-members, give rise to suspicion and stimulate opposition from non-members even in the form of rival organizations.

In particular PPD will be structured to:

- Ensure that communication is bidirectional, is not confrontational and is based on mutual partnership between public and private sectors.
- Balance full representation among the various elements within private sector without losing focus and effectiveness of dialogue. It is hoped that this will best be achieved through the use of sector level dialogues besides the main forum.
- Provide for a two level institutional framework in which the private sector will be responsible for the secretariat through MCCCI, and the PPD fora will be convened jointly by the Minister of Industry, Trade and Private Sector Development (MITPSD) and a rotating member from the private sector; the personal periodic involvement of the President of Malawi was guaranteed in the communiqué.

Other pre-workshop Government sources (see especially GoM, 2006) show that MCCCI had made these proposals including the proposal for the workshop which, one might say, simply ratified them. They had also proposed that dialogue should take place at Presidential and ministerial level where bi-annual and quarterly meetings would take place and 'a few members could be selected to represent the private sector at such fora.' Given the benefits associated with membership in MCCCI, such participation will only involve members in the Platinum group. It will not therefore address the concern on 'wide representation'.

Placing the secretariat and the forum in MCCCI on the basis that 'it is a representative body that derives mandate from its membership… represent more members than any other private sector association… [and therefore]… in a better position to effectively convene the forum and ensure its sustainability…' suggests that participation will be restricted to Platinum members. Given the hierarchy of membership in MCCCI, the proposed PPD may become another elitist creature. Further, MCCCI represents a small proportion of private sector enterprises and thus a considerable part of the private sector may be alienated from PPD.

3.7 Opportunities and threats in relation to SBRs in Malawi

The fragility of SBRs in Malawi as explored above show that the process of institutionalization has opportunities but also is threatened by certain factors.

A total of six opportunities for positive SBRs can be identified:

1. Attempts to develop good rapport between public and private sectors have been initiated and so too are concerted efforts on both sides of the relationship to institutionalize and sustain PPD.
2. The institutional arrangement for PPP which is being developed by the Privatization Commission should hopefully help cement the relationship between the two sectors once it becomes operational so that perhaps in the future the phenomenon of 'Malawi Inc' will be possible.
3. There is good will and support from the donor community especially the World Bank and DFID.
4. It is now clear that in the public sector the Ministry of Industry, Trade and Private Sector Development (MTPSD) is the focal point and the responsible agent for SBR. If this is sustained and not fragmented, this will contribute to coordination and efficiency gains.
5. There is demonstrated improvement in state attitudes towards the private sector especially after 2004. However, this may be a unique feature of the current administration. If the election in 2009 brings a policy reversal, this will obviously reverse the gains made so far.
6. A proper foundation for PPD has been laid through the NAG framework. Institutionalizing SBRs is therefore not a process that is beginning from a scratch.
7. Finally, it is clear that some efforts have been made in recent years to de-politicise the MCCCI, to reduce the closeness of its association with the state and political elites and to deepen its autonomy and independence – as illustrated by the claim that the current President of its Council, Mr Harrison Kalua, has no known history of political affiliation, but had experience in the Ministry of Agriculture.

However, experience of SBRs in Malawi so far shows that at times it has been affected by quite a number of challenges. Some of them, as the fore going discussion has shown have been resolved. Nonetheless, even in the light of resolutions reached so far, challenges real or potential still persist. In this regard, four challenges can be noted:

1. The private sector is highly fractionalized so that it may not be able to speak with one voice. There are indications that the issue of 'indigeneity' – commonly found in other developing societies in Asia and Africa – is gathering momentum and may threaten PPD in a country where the business sphere is dominated by non-Malawians.
2. There is still lack of trust between the two sectors. For example, at a regional meeting of the MCCCI (Southern Region Chapter) on 29 August 2006 it was asked 'whether Public Private Dialogue is working in Malawi in light of lack of action by government on agreed issues.' Members referred to a number of issues such as investment in utility companies and reduction of business licence fees. If elements of mistrust or distrust persist, the gains made so far can quickly be reversed if something/anything happens that is unpalatable to either the state or the business community and is done by the other.
3. The ongoing efforts to institutionalize PPD and SBRs are donor-funded. There are no clear indications

of self-financing arrangements from either the state or the private sector. This raises questions of sustainability.

4. Institutionalizing PPD in MCCCI with its current membership and decision-making structure, which is skewed in favour of 'the rich', will make the process less representative. It would appear that placing PPD in MCCCI was fuelled by opportunism on the part of MCCCI. As discussed earlier, it leaves out a big part of the private sector. Even within the MCCCI the voices of members in the lower, relatively cheaper membership categories are not audible enough.

SECTION C
CONCLUSIONS

Our approach to the analysis of the politics of SBRs in Malawi has been informed by an historical institutionalist perspective and by the comparative assessment of the patterns of SBRs elsewhere. The study illustrates the utility of that approach and highlights a number of points which confirm some of the hypotheses and generalizations outlined earlier in Section A.

- The character of SBRs in Malawi has been heavily influenced by their experience in the formative years of the country after independence under Dr Banda's rule. Although we have not explored the character of the colonial SBRs during the protectorate and then in the context of the Central African Federation period, we suspect that state-business relationships, and especially between the MCCCI (or CCIM, as it then was) and the colonial government, will also have been close if not collusive. Colonial governments in general were not particularly supportive of indigenous economic enterprises.
- The patterns, institutional practices and attitudes laid down in the period since independence have established a 'path' that has continued to influence how both state and business have related to each other. The formal hostility on the part of the state to the idea of an independent private sector under Banda has been formally disowned by subsequent regimes, yet the evidence is clear that neither side has yet fully embraced the implications of that. The state remains wary of an independent capitalist sector (for a mixture of reasons) while the main business association and many of the main Malawian businesses do not as yet seem to have embraced autonomous capitalist activity and remain keen to court the state for favours, support and protection. Perhaps, as it grows (and if it grows), a wish for grater independence will happen, as happened in Korea, Thailand and Indonesia. But Malawi is still a long way from the levels of capitalist economic development which were associated with business demands for greater autonomy and influence on national policy in those countries.
- It is important to add that these patterns have merged with or been re-enforced by the strong legacies of a parallel moral and social order, a set of informal institutional arrangements, or a moral economy, anchored deeply in the history and culture of the country, which have stressed the virtues of sharing and mutual support amongst kin. These virtues, we suggest, have been extended beyond kin and home region, to new groups and associations, constituted by colleagues in public offices. The borderline between these practices and what is officially termed 'corruption' is not always easy to identify.
- As with many new states, the Malawian state – especially given its provenance under the Banda regime – remains weak in terms of infrastructural power and autonomy. Hence its ability to design an effective SBR is limited.
- Moreover, its will to do so is equally compromised. There appear to have been no external circumstances or internal political threats sufficiently challenging to propel Malawian elites to try to build a developmental state. Historically, it has been an external or internal political threat which has been a significant factor in propelling the emergence of developmental states and, more generally, of effective states (Tilly [1975), Doner, Ritchie and Slater [2005], Leftwich [1995], Ertman [1997]). In addition, despite rhetoric to the contrary, it is hard to detect a strong political will to transform what has been a shifting 'distributional coalition' amongst the elites into a 'growth coalition' that could help speed the process of development and the reduction of what is pervasive and deeply entrenched poverty in the country.
- With respect to the private sector, Malawi must be understood as being at a very early stage of capitalist development, which is not always thought of with favour amongst its elites, with a significant proportion of the population engaged in subsistence or near subsistence agriculture.
- It follows that there is as yet no strong, self-conscious or ideologically committed capitalist class of the kind which may be identified in Nigeria. If there were, one would expect a much greater concern to be expressed through BAs for effective macro-economic management, the provision for better public services and for an effective consultative role in policy formation.
- Though many households – of necessity – have, in addition to their subsistence cultivation, some involvement in the commercial life of the society, there are very few middle-sized and small-scale businesses. Most are micro. The dominance of a relatively few large enterprises very much shapes the pattern of SBRs.
- The main organization of business in Malawi, dominated by these large enterprises and not obviously speaking on behalf of the informal or semi-formal sector, is the MCCCI. It has a long history, going back to 1892. However its formative experience since independence in 1964 has been as part of a very close and collusive relationship with the state which was indistinguishable from the ruling party, the MCP. Given this relationship, the MCCCI has also served as a springboard for political advancement and the organization has pursued and enjoyed close links with whichever party has controlled the Presidency.
- The institutions that mediate relations between state and business have not yet consolidated but there are current efforts to forge these, with some external encouragement and pressure.

Future research issues

As we pointed out at the start, our focus in this work has been on mapping the formal institutions of SBRs in Malawi. Inevitably we encountered informal processes which have penetrated and shaped formal interactions. Given that we encountered serious problems in accessing even quite innocent information about the membership and committees of the business organisations, we would expect to find considerable obstacles in the way of uncovering the structure and impact of informal institutions. Nonetheless, it would be important to know much more about how those informal practices work, however difficult it may be to find out. It may be that the *informal* institutions which parallel formal political processes in Malawi overlap with those which parallel the formal institutional arrangements of the SBRs, as has been found to be the case, too, in Latin America (Helmke and Levitsky, 2006). There are other areas of work which our study has identified and which would be fruitful to pursue. We list possible future research topics below:

- How do the *informal institutions* which pattern state-business relations work? Can these informal institutions serve a developmental purpose? To what extent are those who are engaged in these relations concerned to contain the influence of informality? Is there a wider theatre of 'informality' where all manner of political and SBR issues are 'resolved'?
- It is clear that in any economy at the stage of development of the Malawian economy there will be a strong and potentially vibrant informal sector. Within that sector some *informal* institutions, unofficial and sometimes transient, will come and go. Others, however, might seek formality and consolidation. A much close investigation of the extent, character, attitudes and aspirations of such informal associations in Malawian towns (especially) would pay great dividends.
- Finally, on a more macro and comparative level, it would be interesting to explore the extent to which different formal political institutional arrangements – such as federations, presidential systems, whether democratic or not – affect the national patterns of SBRs.

Policy implications

From a policy point of view, and especially that of partner donors, the most significant implications flow from the recognition that SBRs in Malawi – and indeed anywhere – are part of a wider set of *processes* which are profoundly political. Establishing and maintaining 'synergetic' relations between states and businesses (in effect business associations), rather than collusive or predatory ones, requires institutional development on both sides. Investing in *processes* and the players who enact the processes (that is the business associations and relevant state institutions and organizations) will require fresh thinking amongst donors; but effective SBRs, like effective states, are not constituted simply by institutional arrangements – the rules of the game – but also by effective players. Enhancing their capacity to participate in the processes will require a range of investments in at least some of the following areas:

- Education training and information concerning various models of SBRs.
- Contact with other BAs in the developing and developed world in order to share experiences, issues and problems.
- Facilitating opportunities for state-business discussions on policy issues.
- Extending and deepening understanding of political economy issues which are central to state and business commitments to growth.
- Helping to identify areas of conflict and agreement with respect to fundamental interests and policy objectives and aims.
- Helping to identify mutual expectations of state and business with respect to each other.

While these are often sensitive issues, clarifying these issues and enhancing the capacity of the respective players to participate in effective SBRs involves an investment in processes which will benefit both.

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- MCCCI Monthly Bulletin – various issues.
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- Brief History of the Malawi Confederation of Chambers of Commerce and Industry.
- Brief Report on the Main Activities conducted by MCCCI form January to September 2006.
- MCCCI (2006) the MCCCI Strategic Plan, Blantyre.
- Constitution of the Registered Trustees of the Malawi Confederation of Chambers of Commerce and Industry (undated)

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- Malawi Economic Justice Network (MEJN) (Lilongwe)
- Ministry of Industry, Trade and Private Sector Development (MITPSD) (Lilongwe)
- Malawi Investment promotion Agency (MIPA) (Lilongwe)
- Malawi Confederation of Chambers of Commerce and Industry (MCCCI) (Blantyre)
- Indigenous Business Association of Malawi (IBAM) (Blantyre)
- National Action Group (NAG), Blantyre
- Privatization Commission (PC) (phone interview).