Research Paper

Resurrecting the Vestiges of a Developmental State in Malawi? Reflections and Lessons from the 2005/2006 Fertilizer Subsidy Programme[1]

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Abstract

This paper explores how the experiences leading to the adoption and successful implementation of the 2005/2006 fertilizer subsidy programme can be exploited as the basis for churning out a viable framework for a developmental state in Malawi broadly understood as the state that seriously attempts to deploy its administrative and political resources to the task of economic development. This is inspired by the fact that the success of the 2005/2006 fertilizer subsidy programme is widely orchestrated as the most significant policy achievement of the government since the advent of a democratic political dispensation over a decade ago, especially in view of the fact that the programme was implemented against the advice of a whole gamut of technical experts and development partners. The huge paradox, however, is that the experience with the democratic political dispensation on the development front has been generally disappointing. Instead of facilitating tremendous transformation from conditions of abject poverty to prosperity, the state has found itself presiding over a period of rampant economic decay and the progressive weakening of the state machinery to spearhead development relative to the authoritarian one-party era. Malawi's Human Development Index (HDI) ranking has tumbled from 138 (out of 178 nations) in 1990 to 166 in 2006. This entails a steady decline in health care delivery, education, economic growth and general living standards, characterized until very recently, by widespread incidences and episodes of severe hunger at household level.

Setting the Context

Malawi has experienced two distinct phases of development (although sub-phases can between be distinguished, especially in the second phase). The first phase spanned from the attainment of independence in July 1964 to the end of the 1970s, whilst the second phase began with the adoption of structural adjustment programmes (SAPs) in 1981 (cf. Chipeta, 1993; Chirwa, 1997; Harrigan, 2001; Chinsinga, 2002).

The 1964–1979 period saw the country's economy registering very high growth rates and enjoyed relatively favourable balance of payment positions. Almost every sector experienced tremendously rapid growth to the extent that the country was characterized at one point, alongside the Ivory Coast, as a star performer (cf. Archaya, 1978; World Bank, 1982). In stark contrast, the post-1979 phase witnessed almost every sector of the economy experiencing a stupendous decline, followed by persistently erratic recovery trends of boom-and-bust type patterns (cf. Kaluwa, et al., 1992; Chirwa, 1995; Chilowa, et al., 2000).

Several scholars have argued that the characterization of Malawi's economy as a star performer was a glaring misdiagnosis of the underlying dynamics of the country's political economy at that time. Contrary to the World Bank's prescription, Malawi was not a classical paragon of a free market and non-interventionist capitalist economy. The tremendously rapid economic growth that the country registered during the early decades of independence was very much state-driven akin to the patterns observed in the context of the Newly Industrializing Countries (NICs) (cf. Pryor, 1990; Harrigan, 2001). This was perhaps aptly captured by Mhone who, quoted by Harrigan (2001: 39), observed that "the logic of Malawi's economic policy [lay] in the government's ability to manipulate wage policy, labour flows, agricultural price and subsidization policies, and monetary policies to the maximization of forced savings which are (were) directed into productive investment". The major difference between NIC's and

Malawi's experiences, however, was that the latter's growth was generated by a leading agricultural rather than industrial sector. The country's success story became hollow as soon as the state-driven development strategy became no longer viable. In Harrigan's words, 'it was obvious [by 1980] that the intricate relationships between Malawi's corporate, parastatal, and banking sectors, used by President Banda to foster the estate boom of the 1970s were no longer sustainable' (Harrigan, 2001: 43).

This, in turn, exposed the chronic structural imbalances and rigidities of the economy which progressively undermined Malawi's creditworthiness, prompting it to seek the intervention of the World Bank and IMF. The Bretton Woods institutions prescribed structural adjustment programmes (SAPs) as a remedial measure for the country's economic predicament, but since then, the economy has been characteristically unstable. The economy has been experiencing boom-and-bust growth patterns, underpinned by rising levels of inflation, declining agricultural productivity, rising interest rates and spiralling domestic and external debts (cf. Kaluwa, et al., 1992; Jenkins and Tsoka, 2003; Chinsinga, 2007a). In short, SAPs failed to alter the structure of the economy but instead greatly contributed to the exacerbation in the levels of vulnerability, which have been compounded by frequent bouts of drought and flash floods in recent years. One of the most notable consequences of the adverse impacts of SAPs was that in the period between 1989 and 2004, Malawi was unable to meet its national food requirements without having to import maize or seeking food aid even in years of good rains. The situation has turned around since the introduction of the fertilizer subsidy scheme in the 2005/2006 growing season. The programme ensured that in 2006 Malawi enjoyed its biggest ever harvest of 2.6 million metric tones, at least half a million tones more than its annual food requirements of two million tones. The surplus for the 2006/2007 growing season has more than doubled (cf. Chinsinga, 2007b; Dorward, et al., 2007).

It is against this backdrop that this paper explores whether the experiences leading to the adoption and successful implementation of the 2005/2006 fertilizer subsidy programme can be exploited as the basis for churning out a viable framework for a developmental state in Malawi, where the concept of a developmental state is broadly understood as a state that seriously attempts to deploy its administrative and political resources to the task of economic development. This is inspired by the fact the success of the 2005/2006 fertilizer subsidy programme is widely hailed as the most significant policy achievement of the government since the advent of a democratic political dispensation over a decade ago, especially in view of the fact that the programme was implemented against the advice of a whole gamut of technical experts and development partners. The huge paradox, however, is that the experience with the democratic political dispensation on the development front has been generally disappointing. Instead of facilitating tremendous transformation from conditions of abject poverty to prosperity, the state has found itself presiding over a period of rampant economic decay and the progressive weakening of the state machinery to spearhead development relative to the authoritarian one-party era. Malawi's Human Development Index (HDI) ranking has tumbled from 138 (out of 178 nations) in 1990 to 166 in 2006. This entails a steady decline in health care delivery, education, economic growth and general living standards, characterized, until very recently, by widespread incidences and episodes of severe hunger at household level.

The Developmental State in Perspective

Tracing the Theoretical Discourse

Scholarly debate about the developmental state is as old as the discipline of development studies itself. In fact, according to some scholars this debate has now gone full cycle (cf. Chikulo, 1998; Mkandawire, 1998; Bull, 2006). Right at the dawn of the first development decade in the 1950s, there was an unshakeable faith in the ability of the state to spearhead development, both as a mobilizer of resources and provider of infrastructure and as a public entrepreneur advancing the pace of economic growth and development. This is to say that the state was given quite a central role in the pioneering views of the process of development (Sandbrook, 1993; Mkandawire, 1998). However, the economic crisis of the late 1970s and 1980s changed all this. From an acknowledged driver of development, the state was firmly condemned as the major impediment to the achievement of rapid and sustainable economic growth and development in the greater part of the developing world. A litany of pejorative adjectives was attached to the state[2] and, to be sure, the state became 'the most demonized institution, vilified for its weakness, its overextension, its repressive character, its ubiquity, its absence etc.' (Mkandawire, 1998: 1).

Through the diagnosis of the development constraints facing developing countries published in the famous 1981 Berg Report, the World Bank prescribed SAPs as an effective panacea to resuscitate economic growth and development in these countries (World Bank, 1989; Chikulo, 1998; Cammack, 2002; Simon, 2002). SAPs recommended a substantial rolling back of state involvement in development processes, against a backdrop of the dogmatic advocacy of market reforms. Simply stated, SAPs advocated for the withdrawal of the state which, in turn, witnessed not only the weakening of the state but also the downscaling of its size and influence (Chikulo, 1998 and Mkandawire, 1998). The faith pinned on the market as an alternative institutional framework for spearheading development soon degenerated into disappointment, however. The most familiar conclusion of evaluation studies is that SAPs are associated with the huge drop in living standards and inequalities. Indeed, SAPs have generated adverse socio-economic effects and considerably weakened the state and its internal structures. Unemployment and prices of essential commodities have soared and expenditures on social services, especially health and education, have substantially declined (Clark, 1991; Chipeta, 1993; Chinsinga, 2003a). Ultimately, SAPs greatly weakened the capacity of the state in the socio-economic development process that is necessary for rapid and sustainable economic recovery.

The disappointing track-record of the SAPs invariably brought the state back into the limelight in development discourses. This was further enhanced by the debate about the historically remarkable success story of the NICs, popularly dubbed the East Asian Miracle (cf. Chinsinga, 2003b and Bull, 2006). Led by the World Bank, neo-liberals argued that the success of the NICs was indebted to the market-oriented policies that these countries had put in place. The argument was that these policies encouraged investment and exports, which in turn contributed towards remarkable economic growth and development. The alternative view was that the East Asian Miracle could not be attributed to laissez-faire economics but rather to strategic state intervention. The advocates of this view contended that the key to the success of the NICs was that they provided state incentives selectively to increase productivity in the private sector (cf. Amsden, 1989; Chang, 1993; Bull, 2006).

The weight of evidence marshaled by the advocates of the primacy of the state in the NICs success-story opened a new epoch altogether regarding the role of the state in development discourse, popularly characterized as "bringing the state back in". In its 1997 World Development Report, the World Bank unequivocally acknowledged – for the first time since the publication of the 1981 Berg Report – that the state had a key role to play in the socio-economic development processes. The Bank's position tremendously amplified the UNDP's position adopted a year earlier. Read together, the UNDP and the World Bank positions generally advocated for the reinvigoration of state institutions and capabilities if people's needs were to be effectively fulfilled. Thus these two institutions acknowledged the need for a strong activist state capable of playing a key role in the socio-economic development processes. The UNDP specifically pointed out that 'a poverty eradication strategy requires not a retreating, weak state but an active, strong one, and the strength should be used to enable the poor rather than disable them' (UNDP 1996: 101).

The apparent quest to forge or rehabilitate capabilities of the state that can enable it successfully preside over the socio-economic recovery processes rekindled the debate about developmental states. The basic question then is: what is a developmental state? This question is not as straight forward as it may seem. The main challenge in defining a developmental state is the tendency to equate it to impressive economic performances (cf. Mkandawire, 1998). This is the case because the evidence for a developmental state is often drawn deductively from the performance of the economy. But this overlooks the possibility that economic failure may not be a consequence of the lack of genuine developmental commitments and efforts by the state. The government's political and technical capacity may simply not be enough to fend off exogenous forces. According to Mkandawire (1998), the preoccupation with economic performance as a yardstick for defining a developmental state risks, among other things, rendering the resultant definitions tautological.

Scholars often take recourse to the NICs in their attempts to define a developmental state (cf. Chikulo, 1998; Harrigan, 2001; Mbabazi and Taylor, 2005; Bull, 2006). A developmental state is generally defined as a state whose ideological underpinnings are developmental and one that seriously attempts to deploy its administrative and political resources to the task of economic development. A state qualifies as such if it is purposefully driven to promote development and utilize its offices in order to facilitate improvement alongside other actors such as the private sector and civil society (cf. Mbabazi and Taylor, 2005). The definition of a developmental state offered by Leftwich (1995) deserves to be specially highlighted, however. He defines developmental states as those whose politics have concentrated sufficient power, autonomy and capacity at the centre to shape, pursue and encourage the achievement of explicit developmental objectives, whether by establishing and promoting the conditions and direction of economic growth or by organizing it directly or a varying combination of both. The uniqueness of Leftwich's definition lies in its emphasis on the fact that the pace and thrust of the development strategies in a developmental state are politically driven and shaped (cf. Chikulo, 1998 and Mbabazi and Taylor, 2005).

Mkandawire's (1998) analytical deconstruction of the concept of a developmental state somewhat ties together Leftwich's perspective and the generally popular conception of the developmental state as stated above. He points out that the developmental state has two dimensions: the ideological and structural dimensions. A state is ideologically developmental if it conceives its mission as that of ensuring economic development usually interpreted to mean high rates of accumulation and industrialization and is structurally developmental if the state has the capacity to implement economic policies sagaciously and effectively. This capacity is dependent on a whole range of institutional, technical, administrative and political factors and considerations. A number of central features of the developmental state can, however, be isolated (cf. Leftwich, 1995; Mkandawire, 1998; Mbabazi and Taylor, 2005). These include, among others:

- Existence of a determined developmental elite who are legitimate and capable backed up by a competent and insulated bureaucracy.
- Autonomy of the state from social forces so that it can use its capacities to devise long-term economic policies unencumbered by claims of myopic interests.
- Social anchoring that prevents the state from using its autonomy in a predatory manner and enables it to gain adhesion of key social actors.
- A bureaucracy with integrity and the capacity to make decisions for the benefit of society as a whole rather than favouring specific groups.
- A political milieu where this bureaucracy has enough space to operate and take policy initiatives independent of overly intrusive interventions by vested interests (effective management of non-state economic interests).
- The crafting of methods of state intervention in the economy without sabotaging the market principle (governing the market).

Malawi's Experience with the Developmental

State Malawi has equally experienced two distinct political periods since independence in July 1964. Until May 1994, Malawi was a one-party authoritarian state led by Dr. Kamuzu Banda under the auspices of the Malawi Congress Party (MCP). Malawi became a plural polity following the May 1994 general elections that saw the ascendancy of the United Democratic Front (UDF) at the helm of government (cf. Chinsinga, 2003c; Dulani, 2005). The one-party state was condemned as a developmental disaster as the state was dominated by a small ruling clique led by Dr. Banda, Mama Cecilia Kadzamira and John Tembo, characterized by Mhone (1992) as the governing triumvirate at the apex of an autocratic state machinery.

Nearly all existing accounts characterize independent one-party Malawi as a complete betrayal of the spirit of the independence struggle (cf. Nzunda and Ross, 1995). The attainment of independence was widely seen as an opportunity to redress popular grievances, to promote the material interest of emerging and aspiring entrepreneurs, the middle class and elites and to promote economic development by rescuing Malawi from the junk heap of colonial history, where it had been relegated to colonial slum (Mhone, 1987; Kishindo, 1997). However, portended by the 1964 Cabinet Crisis, an atmosphere to fulfill the dreams of the independence struggle never prevailed. For most part, the ministerial and parliamentary structures were purely nominal and had the facile function of rubber-stamping and rationalizing handed-down policies. Consequently, the state was described as 'an executive committee of the dominant, but minority, economic interests consisting of indigenous commercial farmers, distribution and retail entrepreneurs, the political elite, top bureaucrats and the top management in statutory bodies' (Mhone, 1992:5).

Characterizing the one-party regime as a developmental state was therefore almost inconceivable. The statement of development policies, the key policy blueprints for the one-party regime until its demise in May 1994, have been dubbed as the frameworks through which the minority ruling class exploited the masses (cf. Kishindo, 1997; Ngwira, 2002). Within this framework, agriculture (especially estate agriculture) was viewed as the generator of revenue that would make possible investment in other sectors. The expenditure on the social sector was justified only to the extent that it served the purposes of economic growth. The assumption was that economic growth would expand aggregate human choice and, therefore, make positive contributions to the welfare of the people. The fight against poverty was considered to be more or less an automatic component of the statement of the development policies, which was arguably inspired by the tenets of the trickle-down theoretical construct, which was in its prime at that time (Kishindo, 1997 and Harrigan, 2001). The lucrative estate agriculture prioritized in the statement of development policies benefited massively a minority. It thus generally functioned as an important instrument of patronage for Dr. Banda, combined with coercion, charisma and populism. It is therefore not surprising that Malawi entered into the 1990s as one of the poorest countries in the world with widespread, severe and extremely deep levels of poverty. Life-expectancy was in decline; infant, under-five and maternal mortality rates were quite alarming; very few people had access to clean water and sanitary facilities; and almost two thirds of the population was illiterate.

The advent of democracy in May 1994 was therefore celebrated as a momentous occasion signifying a new and inherently positive beginning in the country's development efforts and initiatives. Oddly, however, the transition from authoritarian one-party rule to multiparty democracy is widely considered as the tipping point in the versatility of the country's policy-making processes (cf. Rakner, et al., 2004 and Booth et al., 2006). The quality of policy and policy-making capacity of the Malawi state rapidly deteriorated. In other words, the government's capacity for policy formulation and implementation became thin, and in some cases, virtually non-existent, thereby resulting in a complete loss of direction for state business. This was quite surprising because the advent of a democratic political dispensation was expected to strengthen the quality of, and the capacity of the government machinery in the policy-making processes. Unlike in the one-party regime, the policy-making processes would be subjected to the influence of a multitude of actors at various levels of society and would be a substantially democratic process. It would further be procedurally more open and inclusive with potentially qualitatively different policy outcomes (cf. Chinsinga, 2007b). In the one-party regime, policy-making was highly centralized in the presidency. The president provided the vision, direction, and the pace of policy outcomes especially in terms of defining the core ideas, framing issues, and defining measures of success for policy initiatives. It is therefore a huge paradox that assessments indicate that, instead of registering improvements, the quality of policy and policy-making have greatly deteriorated (cf. Rakner, et al., 2004; Sahely, et al., 2005; Booth et al., 2006). All these accounts attribute the deterioration to the leadership and governance style of president Muluzi. Booth et al., (2006) provides a much more elaborate account of the dynamics that decimated the capacity of the government machinery in the policy-making process. They argue that, unlike in the one-party regime, Muluzi and most of his ministers surrounded themselves with cronies, sidelining senior officials in a way that demotivated them and ultimately reduced administrative efficiency. This practice quickly corrupted the civil service to the extent of undermining its capacity to generate coherent and technically grounded policy approaches. The civil service came to be dominated by presidential loyalists who were not competent at all to make use of technically orientated policy analysis. Thus, when technical advice was offered, it was not taken seriously. Hence, technical specialists with experience of evidence-based policy-making became progressively demotivated and adopted an entirely laissez-faire approach to government business.

These developments were a radical departure from the one-party regime's policy-making processes. Unlike Muluzi's regime, technical advice when provided was seriously considered before being sidestepped. Instead of just ignoring it, technical advice was only overruled after careful thought and consideration. Consequently the fairly honest, disciplined, well-paid, professional and hardworking civil service of the one-party era was replaced by a lax, demoralized and underpaid civil service distracted by private business activities and more easily corrupted. A civil service of this nature coupled with Muluzi's lack of a clear and well-articulated development vision for Malawi created a situation in which policy was to a very large extent driven by patronage. This was in sharp contrast to the realities of the one-party regime where patronage followed policy. According to Booth et al., (2006), the president's own long term vision during the one-party era combined with a professional and well functioning civil service meant that policy was made and implemented with a degree of consistency.

The decline in the government's capacity in policy formulation and implementation is underscored by the apparent multiplicity of grand policy documents since the turn of the 1990s. Booth et al., (2006) observe that a notable feature of Malawi's situation is the multiplication of policy documents and an absence of real, implemented and implementable policies beyond the short-term. At least five grand policy documents have been produced since 1994, but unlike those of the 1960s and 1970s, the recent policy documents have all overlapped. This in turn creates considerable policy uncertainties, making policy coherence extremely difficult to achieve (Chirwa, et al., 2006). The challenges of the fluid and shifting policy strategies and directions were duly recognized in the 2002–2006 Public Sector Management Reform Programme (PSMRP). The observation in the PSMRP was that policy-making processes in Malawi are seemingly chaotic because of the absence of a central agency charged with the responsibility of providing leadership and creating a public constituency for policy reforms and initiatives.

Policy-making in Malawi has therefore largely been on an ad hoc basis. In many ways, donors have greatly contributed to the crisis situation in the policy-making realm in the country. An increasing number of donors have taken advantage of the weakened or virtually non-existent technical capacity to coordinate policy formulation in government to step into the vacuum to the extent that, often, decisions taken by donors have effectively settled policy. The main problem has been that the donor approaches to the policy-making function have equally not been immune to short-termism, competitiveness and personality politics characteristic of state policy (cf. Harrigan, 2005 and Sahely, et al., 2005). Consequently competing views, interests and demands among donors have substantially compromised policy coherence, and subjected policy-making and implementation to often polarized ideological leanings and orientations.

In some cases, projects or policy initiatives were identified with specific individuals within the donor agencies which posed serious problems of consistency and continuity when their tenure of office expired (cf. Booth, et al., 2006). In short, donors made matters worse by their fragmented, ad hoc and sometimes confrontational stance in discharging policy functions.

There are, however, some signs of recovery regarding the government's capacity to formulate, articulate and implement credible policy interventions. President Mutharika who succeeded Muluzi in 2004 is restoring and championing a fairly technocratic approach to policy-making patterned on an elaborate development vision for the country[3]. This vision is underpinned by the Malawi Growth and Development Strategy (MGDS) touted as an overarching policy framework for wealth creation and economic growth as a means for reducing poverty on a sustainable basis. The MGDS distinguishes five thematic areas, namely: sustainable economic growth, social protection, social development, infrastructure development and improved governance.

The Context and Origins of the 2005/2006 Fertilizer Subsidy Programme

The 2004 Electoral Campaign and the Fertilizer Subsidy Programme

The origins of the fertilizer subsidy programme can be traced to the electoral campaign leading to the May 2004 elections which saw the election of president Mutharika on a United Democratic Front (UDF) ticket. The distinctive feature of the 2004 electoral campaign was that it reflected a strong national consensus for fertilizer subsidy as all leading candidates promised some kind of support to the smallholder agricultural sector. This was not surprising at all given that the problem of food insecurity has become more or less endemic in the country since the turn of the 1990s. The recurrent episodes of severe hunger crises have turned food security into a fierce battle ground both for parties in government and outside government.

Two broad positions on fertilizer subsidy could be distinguished during this campaign. The ruling UDF and its coalition partners advocated for a universal fertilizer subsidy for maize producers only. They promised to reduce the price of fertilizer from MK 3000 to MK 1500 per 50kg bag. The opposition block led by the MCP advocated for a universal fertilizer subsidy programme for both maize and tobacco producers. Prices for both maize and tobacco fertilizers would be reduced to MK 950 per 50kg. The differences in the subsidy proposals between the ruling and opposition blocks reflected to a large extent the variations in the regional support bases for the major political parties in the country. The MCP, whose strongest political base-the central region-is a dominant tobacco producer had no choice but to advocate the coverage of the fertilizer subsidy programme to tobacco as well (cf. Chirwa, et al., 2006).

The hallmark for this electoral campaign was that a simple narrative was developed, articulated and presented: hunger and recurrent food crises are best responded to by supporting agriculture, and this means providing subsidies to get agriculture moving with a focus on key crops notably maize and tobacco. National food security and a reduction on the dependence on food imports, as had happened in recent successive years required, it was argued, concrete state action. The basic argument in this narrative was that Malawi ought to be self sufficient and reliant when it comes to food security. This cannot be left to chance the argument went since it costs much more for the country to import food than to grow its own especially when foreign exchange reserves are not always readily available. Besides, food imports often arrive too late, stays too long and usually get enmeshed into politics, and donor aid is pretty much unpredictable (cf. Bird et al., 2003; Levy, 2005).

The UDF won the May 2004 elections and proceeded to form government. The popular expectation was that the government would immediately effect the reduction in fertilizer prices as promised during the campaign period. This did not, however, happen but perhaps more critically important the government took a very long period of time to articulate a clear and concrete fertilizer policy vis-à-vis expectations that had been raised during the campaign period (Chimphonda and Dzoole-Mwale, 2005). The delays in clarifying the government's position on fertilizer subsidy created the impression that there would be a universal fertilizer subsidy which turned out not to be the case. Instead of implementing a fertilizer subsidy programme, the government announced in August 2005 that it would continue with the TIP but on a much bigger scale. The expanded version of TIP (ETIP) was made available to 2.1 million farming families – a significant increase over the 1.5 million targeted in the regular TIP but falling short of the implied promise made earlier of cheap fertilizer for everyone (cf. Sahely et al., 2005). The uncertainty was further enhanced when the Principal Secretary of Agriculture speaking at the 8th Annual Meeting of the National Smallholder Farmers Association hinted that fertilizer prices would go down and advised farmers to wait before procuring fertilizers until government had come up with a definite statement on fertilizer prices.[4]

The uncertainty about whether or not the government would implement a universal fertilizer subsidy programme had two serious consequences for the 2004/2005 growing season. First, it made it extremely difficult for the private sector to make orders for fertilizer on a timely basis. This in turn led to scarcity of fertilizer on the market even for those farmers who could afford at the prevailing market prices. Second, the ETIP inputs arrived very late due to the time it takes to get fertilizer into the country from the overseas suppliers. It is estimated that the delivery period for fertilizer is within the 8-12 week period from the time orders are placed with the suppliers. Consequently the distribution of ETIP inputs was delayed and in most cases done when the maize had already developed past the critical stage for the application of basal dressing fertilizer (cf. Sahely, et al., 2005; Chimphonda and Dzoole-Mwale, 2005). This coupled with a severe drought during the 2004/2005 growing season culminated in a severe hunger crisis affecting about 4 million Malawians. The food deficit was estimated within the region of 700,000-1,000,000 tones out of the 2.1 million metric tones of the annual food requirements.

It is argued that the government was perhaps hesitant to implement a universal fertilizer subsidy programme for fear of jeopardizing the prospects for reaching the completion point to qualify for debt relief through the implementation of the Malawi Poverty Reduction Strategy (MPRS). The restoration of fiscal prudence and discipline was one of the key triggers for the country to reach the completion point. Donors had at the peak of the 2004 campaign period warned that increasing fertilizer subsidy could affect the country's progress toward the completion point which could in turn affect the decision on the country's US$ 113 million debt. Moreover, donors had suspended aid to the country since 2001 especially the poverty reduction growth facility (PGRF) by the IMF due the overwhelming fiscal slippages which, inter alia, included: (1) diversion of donor resources to non-priority areas; (2) unbudgeted for expenditures especially external travel; (3) the disbursement of resources to the poor without a viable bureaucratic mechanism for accountability; and (4) a dramatic increase in official corruption and patronage (cf. Fozzard and Simwaka, 2002; Rakner, et al., 2004).

Fertilizer Subsidy Gets onto Government's

Agenda In many ways, the 2004/2005 hunger crisis intensified the debate about the need for the reintroduction of the fertilizer subsidy programme in the country. In particular, the hunger crisis provided opposition political parties and advocacy groups with a platform to attack the president and his administration for failure to deliver on the promise made during the 2004 electoral campaign. They argued that the president had not only failed to reduce prices of fertilizer but perhaps more critically messed up the ETIP climaxing into the 2004/2005 hunger crisis (cf. Sahely, et al., 2005; IRIN, 2007). The fact that the president had resigned from the UDF, a party that sponsored him into power and formed his own party – the Democratic Progressive Party (DDP) – did not help matters. The main challenge for the president was that his newly formed party had weak representation in parliament, and his decision to ditch the UDF dramatically tensed up the political atmosphere.

The 2004/2005 hunger crisis also prompted the Parliamentary Committee on Agriculture and Natural Resources (PCANR) into action. Members of PCANR carried out a study that critically reviewed the food security situation, possible interventions and the status as well as the prospects of agriculture in the country. The main recommendation of PCANR, dominated by the MCP, was that the country should introduce and implement universal fertilizer subsidy for maize and tobacco. The justification for a subsidy initiative focusing on tobacco and maize was that it would address the market and productive sides of the food security equation respectively. The PCANR presented its findings to the president with whom they discussed various options and scenarios but on the overall stressed on universal fertilizer subsidy for maize and tobacco as a key solution. PCANR's proposal was that price ranges for maize and tobacco fertilizers should be between MK 700-MK 900 per 50kg (cf. Chimphonda and Dzoole-Mwale, 2005). However, the president's immediate response to PCANR's diagnosis avoided any reference to the subsidy issue. The main thrust of his response was that the solution to Malawi's predicament lies in massive investment in irrigation which past governments had grossly neglected.

The president's response emphasizing irrigation and avoiding any reference to issues of subsidy underlined his sensitivity to the concerns of donors about the negative impact subsidies would have on the economy. He had to be strategic enough because at this time his main preoccupation was to get back the economy on track by fixing key economic fundamentals. The previous administration had mismanaged the economy to the extent that it by 2004 it was almost at the brink of collapse. The paramount strategy to fixing the economy was to win back donor confidence so that they could restore their support which they had withdrawn since 2001. The country was just beginning to get on course to achieve qualification for comprehensive debt relief and the president did not want to jeopardize this prospect. In addition the debate about subsidies had not yet peaked to immensely politically sensitive levels. His response, however, did very little to shift focus on fertilizer subsidy as a potential remedy to the problem of food security in the country.

Meanwhile DFID announced its withdrawal of support to TIP. DFID had been the major donor to the TIP programme since its introduction in the late 1990s. By this time DFID was the only donor for the programme; other donors had completely pulled out. DFID pulled out mainly because the timeframe for programme support had expired. Besides, programme appraisals revealed that the TIP was not the best way of offering support to the agricultural sector. Households targeted under the TIP were the poorest of the poor (people with disabilities, chronically sick, elderly etc) who could not make productive use of the inputs. In most cases, the beneficiaries ended up either selling or not putting the inputs to maximum productive use (cf. Chinsinga, et al., 2004 and Levy, 2005).

DFID's decision was a huge blow to Malawi's fledging agricultural sector even though it was not having the optimal impact on food production. This means that without having TIP in place the magnitude of food deficits would having been consistently unbearable. This needs not be overemphasized because Malawi's smallholder agriculture has not been without any kind of support since the complete removal of fertilizer subsidy in the mid 1990s. In fact, recent trends show that without any kind of support, the smallholder agricultural sector is almost non-viable. Most stakeholders interviewed emphasized that the majority of the smallholders cannot afford the basic productive resources: that is, seed and fertilizer, because of the severe poverty that they find themselves in. Something therefore had to be done if Malawi was to avoid descending into abyss of hunger. Moreover, a compact between government and its citizens regarding agricultural inputs entitlements seem to be entrenched. This is perhaps aptly captured by Sahely et al., (2005: 17):

> TIP failed to move households from subsistence to surplus production even under most suitable conditions: adequate rain and capable beneficiaries of properly applying the inputs. The condition of extreme poverty much of the population finds itself in has meant that fertilizer transfers have instead become part of most household subsistence strategies. Fertilizer transfers are no longer viewed as an effective livelihood development strategy. It has instead become a critical part of the national safety net. Fertilizer direct transfers or subsidies are now needed to keep households and communities from falling below the subsistence line.

For these reasons and coupled with mounting pressure from the opposition parties taking advantage of his lack of significant parliamentary support, the president announced the introduction of a fertilizer subsidy programme in June 2005 during the budget session of parliament (Government of Malawi, 2005). He indicated and emphasized that the subsidy would be targeted at resource constrained but productive maize farmers[v]. Thus the general objective of the programme was to provide fertilizer not as a safety net but to people who have the resources to use it productively but would otherwise have difficulty in obtaining it. The architecture of the subsidy programme was based on the lessons learnt form the implementation of the TIP as observed above. The president ruled out a universal fertilizer subsidy programme as advocated by the PCANR. He argued that Malawi cannot afford to implement such a programme. It was estimated that a fertilizer subsidy programme targeted at resource constrained but productive maize farmers would cost between MK2-3billion. The president's guarded concession to the proposal for fertilizer subsidy was motivated by his desire not alienate donors who were wary of the negative impact a universal fertilizer subsidy would have on the economy and notably on private sector development.

The president's budget speech ignited intense political debate within parliament. Building on the work of the PCANR, opposition parties argued for a universal fertilizer subsidy programme, extended beyond maize to tobacco as a boost to economic growth and foreign exchange earnings. Taking advantage of numbers in parliament, opposition parties set adoption of a universal fertilizer subsidy programme as a precondition for passing the 2005/2006 budget[6]. The government eventually bowed down to the demands of opposition parties and a universal fertilizer subsidy programme was agreed upon pushing the budget to MK 4.7 billion[7] (about US $ 35 million). The understanding of Members of Parliament (MPs) of a universal fertilizer subsidy was that any smallholder farmer would be entitled to buy as many bags of fertilizer as he/she could afford without any rationing mechanism in place. The subsidy programme was however implemented in a different manner than as understood by the MPs using coupons.

Reactions to the Fertilizer Subsidy Programme

The implementation of the fertilizer subsidy programme against the backdrop of maize and tobacco, electoral, legislative and aid politics was seen in some quarters as a regressive and potentially disastrous step. Many technical experts and donors were quite appalled with the government's decision to go ahead with the subsidy programme. They, among other things, argued that the implementation of the programme ran against all the efforts at liberalization and reforms that had been on-going over many years. The Economics Association of Malawi (ECAMA), for instance, argued that the implementation of the universal fertilizer subsidy would lead to economic disaster since government would be forced to spend beyond its limits. This would be the case because MPs were demanding universal fertilizer subsidy without prescribing the source of funds. ECAMA further argued that universal subsidy would lead government to borrow on the domestic market which in turn would put pressure on inflation and interest rates[8]. An additional concern of the technical experts and donors was that the government was implementing the programme without fully thinking about corresponding interventions to deal with marketing issues in case of maize surplus. In the absence of such mechanisms, the argument is that the subsidy programme risks creating disincentives in maize production[9]. In turn, the intended effect of the programme on food security would sooner rather than later be wiped out. No donor supported the 2004/2006 subsidy programme and the full cost was borne by the government.

Ironically, the fact that no donor supported the subsidy programme reinforced the narrative that was developed and articulated in the 2004 electoral campaign around the fertilizer subsidy programme and the achievement of food security. The differences between the government and the opposition parties regarding the modalities of implementation notwithstanding, consensus about the need for such a programme persisted strongly. The narrative was further embellished. It was argued that there is need to look at the uniqueness of Malawi emphasizing that it was better to subsidize production rather than consumption. The experiences with the 2004/2005 hunger crisis further solidified the narrative particularly from the standpoint of the cost implications of importing food during times of crises. Food imports during the 2004/2005 hunger crisis cost MK13 billion compared to MK 4.7 billion proposed for the subsidy programme. This struck an instant chord with all segments of the Malawian society in advocating for the fertilizer subsidy programme as a more cost effective approach to achieving food security than alternative interventions. Stambuli's study (2002) was often invoked in the discourse supportive of self sufficiency as a viable strategy for achieving food security. His study was inspired by the observation that maize imports constituted the second largest budget item after debt service. He argued that one dollar of food imports to a consumer achieves only 30% of what the same one dollar would have achieved if it functioned as a production subsidy. He further estimated that a ton of maize imports roughly costs US$ 300 and would at least feed five families for 96 days. The same US $ 300, however, would be adequate to procure enough fertilizer to support seven hectares of farm land to produce 13 tons of maize that would feed the same families for 10 months. In fact, a study by van Donge, et al. (2002) found that farmers' cultivation of their own food crops is culturally highly valued. A household that does not grow its own food is considered as good as dead. Parents thus become ashamed of their lack of responsibility when their children go begging.

Strikingly, the narrative around the subsidy programme rekindled the debate about whether or not to privatize ADMARC (cf. Mvula et al., 2003; Chinsinga, 2004). ADMARC, which in addition to holding a monopoly on inputs on fertilizer, seeds and farm inputs, was the sole trader of maize and the buyer of last resort. The main function of ADMARC vis-à-vis food security was the maintenance of a maize price band. The aim of the price band was to stabilize prices and make maize affordable and accessible to the poorest Malawians by establishing floor prices to protect farmers' incomes, and ceiling prices to protect consumers from price gouging (cf. Sahely, et al., 2005 and Chirwa, et al., 2006). Instigated by the IMF and the World Bank under the auspices of structural adjustment programmes, ADMARC has been subjected to a number of reforms with a view to make it more efficient and effective. The rationale for the reforms was that ADMARC survived on heavy subsidies which drained the treasury, and created disincentives for private sector entry into the market. The reform measures for ADMARC have included the following: management reform, closure of its uneconomic marketing outlets and liberalization of smallholder farmer crops. But the closure of some uneconomic ADMARC markets has substantially contributed to the widespread food insecurity for the smallholders, especially those in remote areas that are hardly accessible to private traders. The strong national consensus around the fertilizer subsidy programme served as an occasion for the stakeholders to campaign for the restoration of former ADMARC functions in the country's scheme of food security. This culminated in government setting aside MK 500 million for ADMARC to buy surplus maize from farmers. This was justified as a strategy to avoid the repeat of the hunger that hit the country last year (2004/2005 growing season). The former Minister of Agriculture summed it up all: 'A nation that cannot feed itself cannot be a sovereign and independent state. We, in Malawi, must therefore be able to feed ourselves by whatever means'[10].

Donors' Narratives and Perceptions of the Fertilizer Subsidy Programme

Donors were generally opposed to the subsidy programme when it was launched. Their views soon diverged into three distinct categories, however: those totally opposed to subsidy; those sceptical but willing to engage with subsidy (searching for the holy grail of smart subsidy); and those supportive of subsidies. Most NGOs fall into the last category but of course championing slightly different political, technical justifications and rationales.

Donors Totally Opposed to Subsidy

The main donor agencies that are entirely opposed to the subsidy programme include the International Monetary Fund (IMF) and the US Agency for International Development (USAID)[11]. The main argument of this group of donors is that subsidies create market distortions that make private sector development virtually impossible (cf. Harrigan, 2005). They argue that the implementation of the subsidy programme risks wiping out the entire private sector dealing in fertilizer. This argument is justified on the basis that smallholder farmers' demand for fertilizer in Malawi is estimated at 200,000 metric tones per annum, while the subsidy programme provides up to 150,000 metric tones. However, the 150,000 metric ton ceiling are likely to be exceeded due to excessive political pressure; it has been indeed been reported that government printed 550,000 extra coupons over and above the initial number. There is evidence suggesting the private sector may be at risk of being crowded out. Until the turn of the 1990s, ADMARC was the sole outlet of fertilizers to the smallholder farmers. This changed following liberalization which opened up the sector to private entrepreneurs. The shares of the private sector in both importation and sales have ever since remained over 70% and at times peaking to over 90% until the introduction of the fertilizer subsidy in the 2005/2006 growing season. The share of the private sector in fertilizer importation has not been greatly affected compared to sales. While the private sector's share of sales in the 2004/2005 growing season stood at 168,576 tons (87%), its share declined to 92, 920 tons (41%) in the 2005/2006 growing season. It recovered to about 134,914 tons (52%) in the 2006/2007 growing season following the participation of the private sector in the distribution of subsidized fertilizer. The argument is further strengthened by Nakhumwa's (2005) observation that the fertilizer subsidy programme took up almost 91% of the smallholder fertilizer market.

The agencies opposing the subsidy contend that the most effective way to boost agricultural development is to promote a market-based approach to input provision. The more conventional arguments against subsidies are therefore advanced. Fertilizer subsidies are very difficult to target such that the benefits generally go to relatively well-off farmers even though this argument is less forceful in the narratives of these agencies compared to the crowding out argument. This is to say that the administrative costs, leakages, and targeting problems render subsidies a grossly inefficient way to target the poor (cf. Donovan, 2004; Pender, et al., 2004). The argument is that the market-based approach is ideal because it creates a favourable environment for the private sector to thrive. There is thus no uncertainty over state interventions, as was the case in the 2004/2005 growing season when the government was widely expected to announce a reduction in fertilizer prices but did not, which makes it easy for private sector actors and farmers themselves to make sensible decisions about when to buy, at what prices and in what quantities. Uncertainty over government responses destabilizes the market and dissuades the private sector from engaging in either fertilizer supply or grain trade thereby keeping fertilizer expensive and unprofitable and output markets volatile.

Donors Sceptical but Willing to Engage with Subsidy

The group of donors sceptical but willing to engage with subsidies include DFID, World Bank and EU among others. These donors are wary about government capacity and emphasize the challenges of targeting. However, they concede that some type of 'smart subsidy', building on the lessons of the targeted input programme, might be feasible. For this group, there is a clear case for subsidies in case of market failure but the subsidies should be properly targeted at economically active and productive beneficiaries[12].

These donors are equally interested in promoting private sector development as the basis for economic growth. Subsidies are generally considered acceptable as long as they do not crowd out private sector development. They are seen as short-term interventions and considered fiscally unsustainable if the intention is to institutionalize them as an integral part of a development strategy (cf. Sahely, et al., 2005). They argue that subsidies have to be conceived within the broader framework of social protection where market failures are rampant and the incidence of poverty and vulnerability is acute. In fact, recent studies by the World Bank and DFID have shown that poverty and vulnerability are deeply entrenched in the country with about 52% of the people living below the poverty line of which 22.3% are ultra poor. These people may therefore require some kind of special interventions since they are very unlikely to benefit from the process of economic growth (cf. Government of Malawi/ World Bank, 2006; Devereux, et al., 2006). The idea is to ensure that support (subsidy) is provided only to those that are genuinely unable to afford a certain commodity. In this case, these donors advocate for well targeted subsidies with friendly market mechanisms and well defined in terms of duration and financial commitments so as to ensure predictability. Thus, lack of predictability in these terms would create excessive market distortions. They, therefore, argue for well spelt out exit strategies since from their point of view subsidies are only a short-term intervention, and fiscally unsustainable in the long run.

In the main, these agencies argue that subsidies are not the best way to support agricultural development. They take recourse to the experiences of TIP to argue that evidence abound that distribution of free inputs does not necessarily lead to enhanced production. This is the case because people do not value free inputs and as such they do not often use them optimally. Many TIP beneficiaries ended up selling their packs, for instance. Their argument therefore is that subsidies must be properly targeted and, if indeed they are, subsidy programmes should not run for more than five years before the beneficiaries graduate as self-reliant farmers. More generally, these donors - particularly the World Bank- see subsidies as a second best option for revitalizing smallholder agriculture. The argument is that other strategies are more effective than subsidies and price supports in ensuring small farmers can intensify production and adjust to market signals: efficient input distribution through publicly supported infrastructure, packaging standards, low cost financial services, improved research and extension, new risk management mechanisms etc. Public expenditures for these critical public roles continue to be crowded by input subsidies (World Bank, 2005).

Donors and NGOs Supportive of Subsidy

Donors supportive of subsidies include most UN agencies, Norwegians, local and international NGOs such as Oxfam, Action Aid, Plan International etc.[13] They support the programme on the basis that fertilizer is critical to boosting production and assuring food security, and that phasing out over time once farmers have ratcheted up their capacity is the best option. The basic argument of these donors is that agriculture in Malawi cannot survive without subsidies and subsidies would not distort the market because the private sector is almost non-existent. Besides, without some kind of pan territorial subsidies some areas in the country would not be served at all because of the extremely high costs in remote areas[14]. According to FAO office in Malawi, 'it is much cheaper and cost effective to provide an input subsidy than food aid in the face of crisis. At least, the people could plant and produce the food that they require. This is much more dignified than to perpetually receive food handouts (IRIN, 2007: 1).'

The view of this group of donors is that subsidies can lead to net welfare gains by encouraging an expansion in fertilizer use toward the socially optimal level (cf. IFDC, 2003 and Pender, at al., 2004). They argue that the current uptake of fertilizer in Malawi is very low to achieve food security. Fertilizer uptake among smallholder farmers is estimated at about 34kg per hectare against the recommended maximum of 150kg depending on input-output ratios. This is very much the case within sub-Saharan Africa. Farmers have generally lagged far behind other developing areas in fertilizer use. Average intensity of fertilizer use throughout sub-Saharan Africa is roughly 8kg/ha whilst in Latin America it is 54kg/ha. In this narrative therefore subsidies are seen as an ideal means of kick starting a process of innovation or scaling up of activity that will increase agricultural productivity in the medium long-term if not the short-term. This view was further given a major boost by the high-publicity given to the Millennium Village Project (MVP) in Malawi in this period, an initiative that has received much scorn from other donors. The MVP concept is about an integrated package of interventions at the village level thought to be essential to help villages to get out extreme poverty. The package comprises investments in agriculture and environment, health and nutrition, infrastructure, energy and communication, education and training in villages, or conglomeration of villages (cf. Cabral, et al., 2006). This builds on the Sachs-Bono position that subsidies are the only surest way to achieve food security in the large part of the developing world. They argue that once farmers have access to fertilizer, improved seed and with good water management, developing countries

Table1. Donor Narratives and Evidence on Fertilizer Subsidies

Donors and their Positions	Narratives	Evidence
Totally opposed to subsidies: • IMF • USAID	• subsidies risk crowding out the private sector • subsidies create market distortions and displace public infrastructure investment • targeting extremely difficult to achieve	• smallholder annual demand for fertilizer estimated at 200,000 against 150,000 target for the subsidy programme • uncertainty over fertilizer prices, as happened during the 2004/2005 growing season
Willing to engage with subsidies: • DFID • World Bank • EU	• capacity challenges for government to properly target subsidies which are desirable only in exceptional cases of market failure • subsidies fiscally unsustainable if they become part of a long-term development strategy • predictability of subsidies in terms of size and duration	• SP/TIP as clear examples of lack of fiscal sustainability (donors withdrew overtime leaving DFID as a sole donor) • high incidence of poverty and vulnerability • problematic targeting (beneficiaries not really making productive use of inputs)
Supportive of subsidies: • Action Aid • NORAD • Oxfam • Plan International • UN agencies such as FAO, WFP	• promotion of viable livelihoods rather than perpetual crisis management as the way to go • agriculture cannot survive without subsidies because of high costs of transport • no market distortions because the private sector does not exist • net welfare gains by promoting optimal use of fertilizers • need for subsidies underscoring failure of neoliberal reforms	• high levels of poverty exacerbated by the failure of neoliberal reforms • uptake of fertilizer is currently very limited estimated at 34kg/ha against the recommended rate of 150kg/ha

like Malawi can achieve food security. Thus for these countries to achieve a green revolution, farmers have access to cheap agricultural inputs at whatever cost.

NGOs argue that the need for subsidies is clear vindication of the failure of the neoliberal economic reforms that the country has been implementing since the beginning of the 1980s (cf. Owusu and Ng'ambi, 2002; Oxfam, 2002; Harrigan, 2005). NGOs backed the subsidy programme with the argument that bringing in the social costs of food insecurity and aid dependence shifts the balance in favour of productive subsidy of agriculture. In the final analysis, the NGO's vision is for universal fertilizer subsidy but implemented in a phased manner in order to ensure affordability. NGOs further advocate for the institutionalization of the subsidy programme for purposes of ensuring predictability and facilitating planning among farmers. These sentiments were aptly expressed by Oxfam (2000):

> Incorporating this successful initiative into the long-term strategy to support needy farmers (rather than wait nervously each year to find what the future holds) should be the government's next step in combating vulnerability and uncertainty.

Some NGOs subscribe to the lead role of the private sector in spearheading agricultural development but emphasizes that government has a key role nonetheless in helping to create markets where they are missing through effective and predictable targeted interventions and introducing the regulations necessary to make markets function properly. Beyond saving lives in emergency solutions, the NGOs argue that donors should refocus and increase their aid towards preventing crisis and promoting livelihoods by supporting subsidies toward agriculture and broader food security interventions which are well known to be cheaper and more cost effective over time than large scale emergency responses. The positions and narratives of donors are summed up in Table 1:

Impact of the Subsidy Programme

The implementation of the 2005/2006 fertilizer subsidy programme was fairly successful despite a number of glaring shortfalls. For instance, many stakeholders argued that using chiefs and local leaders as custodians of the coupons had led to widespread corruption and that the programme was overwhelmed by logistical problems with regard to planning and distribution of the farm inputs[15] (cf. Chirwa et al., 2006; IRIN, 2006). The chiefs were accused of selling coupons to people who already have money to buy fertilizer. The opposition accused the government of manipulating the coupon system targeting disproportionately those areas with sympathizers of the ruling party[16]. Thus for the opposition, the fertilizer subsidy was used to draw people into joining the DPP. While acknowledging some problems with the coupon system, the government placed the blame on opposition political parties. The president conceded that in some cases coupons were not given to the intended beneficiaries but this was because the opposition parties were stealing the fertilizer in order to create a crisis by buying subsidized fertilizer in bulk[17].

The impact of the subsidy programme on maize yield was unprecedented nevertheless. Contrary to the fears of the donors and technical experts, the experience on the ground was not as disastrous as they had projected. Indeed quite the opposite. The programme ensured that in 2006 Malawi enjoyed its biggest ever harvest of 2.6 million metric tones of maize, at least half a million tones more than its annual requirement of two million metric tones. The success of the 2005/2006 fertilizer subsidy programme is a subject of continuing debate, however. The debate revolves around whether the huge surplus maize harvest could be attributed to the favourable rains or to the subsidy programme. In the absence of any comprehensive assessment of the programme's impact, the popular view is that the record harvest registered is a result of the subsidy programme that the government implemented in the 2005/2006 growing season. This has, in fact, been hyped by the success narratives orchestrated mainly by the government and donors supportive of subsidies as a viable means of revitalizing African agriculture. The shift in the positions of those donors who were initially critical of the programme to the point of availing themselves to engage with the government has further strengthened and solidified the success narrative.

Doward, et al., (2007) have attempted to provide a preliminary analysis of the impact of the 2005/2006 fertilizer subsidy programme using anecdotal evidence in some cases. According to this assessment incremental fertilizer use on maize as a result of the 2005/2006 subsidy is estimated to be around 45,000 tones. This translated into a record harvest of 2.72 million against the backdrop of favourable rainfall patterns. A comparison is drawn to the experiences of the 1999/2000 growing season when Malawi registered a 2.5 million metric ton harvest with the aid of Starter Pack and good rains. It is projected that the incremental maize production is within the range of 300,000 to 400,000 metric tons. Their conclusion is that the 2005/2005 subsidy programme had a positive impact on maize production estimated in the range of 15% to 22% of total production. The programme has also reportedly had positive impact on the livelihoods of the people. The main reason for this is that the prices of maize have been generally remained low during the 2006/2007 growing period and ganyu (casual labour) rates have increased by 50% in kwacha, which with lower maize prices suggests increases in real wage rates of 75% or more (ibid). This is a welcome development because the regressive impact of ganyu in creating and perpetuating a vicious circle of poverty and food insecurity is widely recognized in the mainstream contemporary discourse about poverty in the country. In recent years, not only have households that create opportunities for ganyu become very limited but ganyu itself has become exceedingly exploitative. The lower maize prices have therefore increased the power of ganyu labourers to bargain for better wages.

The impact of the subsidy programme on the private sector fertilizer industry has been particularly felt on sales. It is estimated that the subsidy programme has negatively affected the development of the agro-dealer network that was taking shape since the advent of liberalization. Most stakeholders pointed out that a good number of dealers have closed out their retail networks. In the interviews with private sector stakeholders, and further confirmed by Dorward et al., (2007), up to 60-70% of the retail outlets were closed and a good proportion of their staff laid off as a result of reduced retail sales during the 2005/2006 growing season. This should not be surprising because as observed above the share of private sector fertilizer sales tumbled from 87% in the 2004/2005 growing season to 41% during the 2004/2005 season.

The negative impacts of the programme have not been given much attention, however. Consequently, the good rains of the 2005/2006 growing season and the relatively effective management of the fertilizer subsidy programme meant a bumper harvest was produced and the food insecurity of previous years was eliminated. Strikingly, the experiences of the 2005/2006 subsidy programme had for the first time in many years challenged the dominant positions of donors in policy-making within the agricultural sector. Thus the sceptical donors, previously so influential in policy-making in aid dependent Malawi, were for the first time out in a limb. Donors had responded to the state's weak incentives to make policy by increasingly stepping into the government's shoes substituting for it in the policy function (cf. Sahely et al., 2005; Booth et al., 2006). As a result, agricultural policy processes in Malawi have been subjected to competing views, interests and demands which in turn compromised policy coherence, and subjected policy-making and implementation to ideological leanings. In the 2005/2006 growing season, the government manoeuvring within the framework of domestic politics, had set a policy agenda for the agricultural sector and was determined to implement it at whatever cost.

A conclusive statement on the exact impact of the 2005/2006 subsidy programme may be premature, however. There are a number of issues to be dealt with for instance, the fiscal sustainability of the programme, the impact on the private sector and about the efficiency of ADMARC as compared to with the private sector companies in order to estimate the positive impact of the subsidy programme with a great deal of precision. Meanwhile, the success narrative coupled with some indications of positive impact in highly visible aspects of the programme are raising its profile as the magic wand to the problem of food insecurity which had more or less became endemic over the last two decades.

Donor Responses to Programme Impact

How did donors respond to the subsidy programme's outcome? Following much debate, a certain reluctant pragmatism emerged among the donors. The change in the positions of donor agencies vis-à-vis their earlier uncompromising stance on the fertilizer subsidy somewhat challenges the narratives espoused at their headquarters. This is particularly underscored by their willingness to undertake a series of studies on the subsidy programme with a view to informing their engagement with the government. The agencies thus demonstrated readiness to rise above their often ideologically-driven policy narratives for a meaningful trade-off with the prevailing realities in the Malawian context. The World Bank, for example, is strongly wedded to a liberalization narrative. It emphasizes that the revitalization of African agriculture is critically dependent on the implementation of unfinished market reforms in order to promote and entrench the leading role of the private sector and NGOs in agricultural development. As for DFID, while subscribing to the broad regulatory role of the state, it entrusts the state with the task of kick-starting rural markets especially in poorly resourced remote rural areas where high transaction costs and coordination failures constrain private sector development. Targeted subsidies are intimated in as much as they serve as temporary measures to remove barriers for private sector participation in markets (Cabral and Scoones, 2006).

The donors' change of their initial positions was inevitable as it became evident that the Malawian government was unwilling and politically unable to be compliant and accept their demands. This is explained by the fact that state legitimacy is closely linked to the availability of maize or more broadly food security. The divisions among and between donors, fostered by competing ideological orientations, had to be patched up. Business had to carry on especially since due in part to fortuitous weather conditions; and the programme had been remarkably successful. The donors had, given the government's determination to implement the subsidy programme, to accept that there was no alternative to backing the government's political decision. The donors' behaviour was political too. Their turnaround smacks of political opportunism on their part especially in view of the fact the turnaround was justified as attempt to be in tune with the government's own priorities and commitments. Most of the donors described the government as demonstrating strong ownership of the programme, as illustrated in following sentiments of some of those interviewed for this study:

> We have come to the realization that government will not change its position. The programme will be implemented for sure for the next three years. Moreover, government has been scaling up resources from MK 4.7 billion to MK 7.2 billion this year. We have no choice but to explore how we can strategically support programme. There is total government ownership and commitment. We better support it otherwise we shall be redundant. Government has made a choice, it is firmly standing by it, and we have to make the programme work.

It is therefore not surprising that during 2006 a reconfiguring of actors was taking place around a new more coherent policy narrative. A group of donors involving DFID, USAID and World Bank commissioned studies to learn from lessons from the 2005/2006 experience which encouraged a backing down on the downright anti-subsidy line. In its place a set of conditions for donor support for the subsidy programme were suggested. These included the following:

- Greater involvement of the private sector in both the procurement and the distribution of subsidized fertilizer and other farm inputs on equal terms with ADMARC and SFFRFM.
- Promotion of choice among beneficiaries in terms of the range of fertilizers involved, and outlets from where fertilizers and seeds are procured.
- Extension of the subsidy intervention to other crops besides maize and tobacco in order to promote crop diversification.
- Developing plans for marketing and storage especially during times of excess production.

The realities of the domestic political economy and policy process context of Malawi had thus forced the policy process to move on. This meant that populist maize politics had won over sound economic policies at least from the perspective of donors; for others democracy had succeeded in the face of interfering pressure from donors without a political mandate; and for others a sensible pragmatism had arisen through negotiation, reviewing evidence and overcoming ideological positions. Most of the NGOs welcome these developments as reflected in the following observations of Action Aid:

> There seems now to be a better understanding of the problem, and a growing consensus that things need to be done differently. What we need to see next is a participative debate to achieve a better understanding and agreement around how government, donors and NGOs can successfully develop a coherent and robust agricultural policy.

The experiences of the 2005/2006 fertilizer subsidy programme regarding the trade-offs between various stakeholders, including the evolution of donors' reactions, clearly underscore the fact that policy-making is hugely a political process. It is not simply the instrumental execution of rational decisions (Keeley and Scoones, 2003). It is evident from the events leading to the implementation of the programme that policies should be conceptualized as courses of action, part of ongoing processes of negotiation and bargaining between multiple actors over time. This therefore involves focusing on intersections and negotiations of knowledge, power and politics.

The Emergence of a Developmental State in Malawi?

The successful implementation of the 2005/2006 fertilizer subsidy programme culminating in the dramatic decline in the severity of the food security problem in the country for the first time in nearly 20 years is quite a significant achievement. There is no doubt that this has greatly enhanced the stature and legitimacy of the state machinery since the bumper harvest has lightened the burden of majority of the people in their daily struggles for subsistence. The ability of the government to put food on the table thus enhances its acceptability if not relevance in the eyes of the people. Thus the people are able to identify themselves with the state by pointing not only to a tangible state service but also a service that has a direct bearing on their very core basis of existence.

But does this portend the emergence of a developmental state in Malawi? Privileged with the benefit of hindsight, it could be argued that Dr. Banda's one-party state displayed some attributes of a developmental state compared to the experiences after the transition to democracy in May 1994. There were systematic efforts mediated through the statement of development policies to achieve economic growth and development. The regime had a clearly articulated vision of what it wanted to achieve including how to go about achieving it. The huge dent, however, in the one-party state's development endeavours was the blatant exploitation of the masses arising from the development strategies used as well as the failure to distribute widely the resultant benefits of development. Instead of trickle down there was trickle up of the benefits of development to a minority segment of the population. This is to say that the state was captured by the minority but dominant ruling class commandeered by what Mhone (1992) characterized as the triumvirate. For this reason, the history of the one-party state has been generally characterized as one of monumental democratic and development failure. In other words, the one-party state could be characterized as an autocratic developmental state serving only the interests of a few at the expense of the masses.

The transition to democracy potentially signalled an opportunity to reconstitute a developmental state that has the ability to clearly articulate its development goals and is substantially democratic in nature. The transition thus provided the opportunity to propagate and institutionalize a viable developmental state. This is not only a state that embodies principles of electoral democracy but also ensures citizen's participation in development and governance processes (Edigheji, 2005). But as demonstrated in this paper, the capacity of the state in policy-making and implementation has tremendously deteriorated since May 1994 even though there are some incipient signs of recovery. Technical capacity (skills, expertise and experience) was almost entirely decimated in the policy-making processes; patronage and corruption proliferated the bureaucracy; and there was complete lack of policy direction as evidenced by the multiplicity of, and the enormous overlaps in the various policy documents and initiatives. The major consequence of the government's dismal capacity in the policy processes was that donors effectively replaced it the policy function vital as it is.

It is therefore not surprising that the success of the 2005/2006 fertilizer subsidy programme is widely celebrated as a notable a success story and, in some circles, projected as a possible blueprint for policy-making processes in the country. Put simply, optimism is that the experiences with 2005/2006 fertilizer subsidy programme could serve as a useful starting point for churning out a framework for resurrecting the vestiges of the developmental state in Malawi. Moreover, a democratic framework considered key to the establishment of a viable developmental state in the contemporary development discourse is in place even though still very much fragile in a number of respects. The experiences with the 2005/2006 subsidy programme raises however more questions than answers that can guide possible efforts geared at constructing a viable developmental state in the country.

The major positive lesson arising from the 2005/2006 fertilizer subsidy experiences is that the government has been able to reclaim its rightful role of setting the development agenda based on the priorities of its citizenry. The implementation of the subsidy programme would have been inconceivable given the history of donor dominance in the country's policy-making processes especially within the agricultural sector. It is striking to note that the government did not recoil even in the face of fierce donor resistance to the fertilizer subsidy initiative proceeding with it without the support of the donor community. The fact that donors have reconsidered their initial hard line positions vis a vis the fertilizer subsidy initiative, and are willing to engage with it, is quite a useful development. It has given government the confidence that it can meaningfully engage with donors in a bid to assert its own priorities that are responsive to the needs of the constituents. In fact, one of the key attributes of a developmental state is that it should be able to clearly set out its development objectives. Thus the state must be in a position to behave as a coherent collective actor that is able to identify and implement development goals (cf. Edigheji, 2005; Bull, 2006; Mbabazi and Taylor, 2005). The ability of the government to negotiate with donors is quite critical in hedging against the 'depoliticized quest for technocratic governance now pushed by international financial institutions (IFIs) in which technocracy is supposed to carry out policies that are good for the nation for no apparent reason, not even self-serving ones' (Mkandawire, 1998: 3).

The main challenge to build on the foregoing positive aspect of the 2005/2006 fertilizer subsidy programmein the quest to establish a developmental state relates to the politics that led to its adoption and implementation. Leftwich (1995) places considerable premium on the role of politics as one of the critical determinants of the nature and shape of a developmental state. It is very clear that the fertilizer subsidy politics as espoused in this paper is different from the politics as idealized by Leftwich. The politics that led to the adoption and implementation of the subsidy programme was not driven by a collective common good but rather by myopic strategic political interests of the various stakeholders in the political arena. It could therefore as well be argued that it was quite accidental that the politics at that time facilitated the adoption and implementation of the subsidy programme. The subsidy proposals united the government understood (as comprising both the ruling and the opposition political parties) as a collective actor because food security lies at the core of the legitimacy of governance in the country. It is a huge political risk for any stakeholder to oppose initiatives of this nature because doing so would be shooting oneself in the foot. Whether one is in government or not food security is a key issue that has to be given the priority attention it deserves. The politicking is not against the support to the agricultural sector but rather borders on strategies of how to do it so as to ensure that all constituencies are served. It is therefore doubtful that the fertilizer subsidy politics could be transferred to any other policy process to end up with similar outcomes.

The problem of technical capacity in the policy-making function is yet to be firmly addressed. In a critical review of the social protection policy processes, Chinsinga (2007c) observes that the government machinery is yet to recover from huge deficiencies in the skills, expertise and experience key handling policy processes. Donor dominance still abound as a result. There is thus an urgent need to invest in institutional strengthening and capacity of the government agencies entrusted with policy functions in terms of both people and systems in planning, coordination and implementation. This is a key concern because the institutional or organizational capacity of the state including its relations to surrounding social structure is vital to the success of a developmental state. The institutional and organization capabilities of the state are quite important for it to promote and achieve better economic performance. Besides, a powerful, competent and insulated bureaucracy is considered as an extremely important feature of the developmental state (cf. Leftwich, 1995; Mkandawire, 1998; Mbabazi and Taylor, 2005). There is no doubt that the experiences with the 2005/2006 fertilizer subsidy could be a precursor for resurrecting the vestiges of the developmental state in Malawi but it is perhaps too early to fully project it as such. The potential of these experiences could be overestimated especially given the unique nature of the politics of food security in the country but these experiences nonetheless invoke some food for thought.

End Notes

[1] This paper is based on research work carried under the auspices for the Future Agricultures Consortium (FAC) hosted by the Institute of Development Studies (IDS), University of Sussex, UK involving three countries, namely: Ethiopia, Kenya and Malawi. The research work from which this draws falls under the politics of policy processes sub-theme. The Future Agricultures Consortium is funded by DFID UK.

[2] The African state was described as the rentier state; the overextended state, the parasitical state; the patrimonial state; the prebendal state; the crony state, the kleptocratic state; and the inverted state. For details see Mkandawire, T., (1998) Thinking about Developmental States in Africa. Available at www.unu/hq/academic/Pg_area4/Mkandawire.html

[3] Doubts have, however, been expressed as to whether Mutharika's politics of policy-making shall be significantly different predecessor regimes. The argument is that he might have a genuine desire to transform the way government works but his efforts are more likely to be undermined by the stark realities of Malawi's politics. This is the case patronage is deeply entrenched and embedded as an organizing framework for politics in the country and any kind of radical reforms will have contend with its enduring logic (cf. Sahely, et al., 2005 and Booth, et al., 2006).

[4] See Fertilizer Price to go Down, Says PS for Agriculture, The Nation 25th June 2004

[5] See Government Rejects Universal Subsidy, The Nation, 11th May 2005; TIP Stopped: About MK 2 Billion for Subsidy, The Daily Times, 11th May 2005; and No Free Fertilizers, Seed this Year, The Daily Times 16th May 2005.

[6] See MCP Threatens to Shoot Down Budget, The Nation, 7th June 2005; and JZU's Strong Point, The Nation, 8th August 2005.

[7] See Gondwe Says Fertilizer Subsidy to Cost MK 4.2 Billion, The Nation 8th July 2005; Government, Tembo Agree on Fertilizer, 7th July 2005; and Universal Fertilizer Subsidy Gets Government's Approval, The Daily Times, 7th July 2005.

[8] See Fertilizer Subsidy not Solution, The Daily Times, 6th August 2005 and MPs Subsidy Demands Unrealistic Analysts, The Nations, 17th October 2005.

[9] Ibid

[10] See ADMARC only Buying Maize, The Nation, 17th August 2005.

[11] See Subsidies: Road to Hell Paved with Good Intentions, The Nation, 20th April 2006.

[12] See also World Bank for Fertilizer Subsidy, The Nation, 18th July 2005; World Bank for Fertilizer Subsidy, The Daily Times, 18th July

2005; World Bank against Universal Subsidy, The Malawi News, 10-16th June 2005; and Subsidies: Magic Portion or Quick-Fix Solution? The Sunday Times, 26th February 2006.

[13] See also UN Support Fertilizer Subsidy, The Nation 3rd August 2005.

[14] See Why we need Fertilizer Subsidy? The Nation 10th April 2006.

[15] See Good Logistics to Cushions Price of Subsidized Fertilizer, The Daily Times, 19th July 2005; Fertilizer Delays Spark Anxiety, Weekend Nation 1-2 October 2005; Subsidized Fertilizer not Selling, The Daily Times 4th October 2005; Farmers Union Doubts Subsidized Fertilizer, The Nation, 8th September 2005; Minister Admits Fertilizer Shortage, The Daily Times 17th January 2006; and Subsidized Fertilizer Runs Out, The daily Times, 10th January, 2006.

[16] See Police Confiscate 70 Bags of Fertilizer from MP, The Daily Times, 7th December 2005; One Coupon for Three in Zomba, The Nation, 19th December 2005; and National IDS: Solution to Coupons Distribution Problems, The Daily Times, 11th January 2007.

[17] See Subsidized Fertilizer Stolen, The Daily Times, 21st August 2006.

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