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Resurrecting the Developmental State in Malawi: Reflections and Lessons from the 2005/2006 Fertiliser Subsidy Programme

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Introduction

Malawi has experienced two distinct phases of development. The first phase spanned the years from the attainment of independence in July 1964 to the end of the 1970s. The second phase began with the adoption of structural adjustment programmes (SAPs) in 1981(Chipeta 1993; Chirwa 1997; Harrigan 2001; Chinsinga 2002). The first phase saw the country's economy registering very high growth rates and enjoying relatively favourable balance of payment positions. Almost every sector experienced rapid growth, and Malawi was characterised at one point a 'star performer' in Africa (Archaya 1978; World Bank 1982). In stark contrast, the post-1979 phase witnessed almost every sector of the economy experiencing a decline followed by erratic recovery trends of the boom-and-bust type (Kaluwa et al. 1992; Chirwa 1995; Chilowa et al. 2003).

Several scholars have argued that the characterisation 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 view, Malawi was not a paragon of a free-market, 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 industrialising countries (NICs) (Pryor 1990; Harrigan 2001). Thus, Mhone (1987) argues 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 [were] … directed into productive investment' (cited in Harrigan 2001:39). The major difference between the NICs and

Malawi experience, however, was that the latter's growth was generated by the agricultural rather than the industrial sector.

This early success story became hollow as soon as the state-driven development strategy could not be sustained. In Harrigan's words, by 1980, 'it was obvious 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 and 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 unstable, experiencing boom-and-bust growth patterns underpinned by rising levels of inflation, declining agricultural productivity, rising interest rates and spirals in both domestic and external debt (Kaluwa et al. 1992; Jenkins and Tsoka 2003; Chinsinga 2007a). In short, SAPs failed to alter the structure of the economy but instead exacerbated its vulnerability, which has been compounded by frequent droughts and flooding in recent years. One of the most notable consequences of the adverse impact 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.

This situation has been turned around since the introduction of the fertiliser 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 tonnes, at least half a million tones more than its annual food requirements of two million tonnes. The surplus for the 2006/2007 growing season has more than doubled (Chinsinga 2007b).

This paper explores whether the experiences leading to the adoption and successful implementation of the 2005/2006 fertiliser subsidy programme can be exploited as the basis for creating a viable framework for a developmental state in Malawi, broadly understood as a state that seriously attempts to deploy its administrative and political resources to the task of economic development. The fertiliser subsidy programme is the most significant developmental policy achievement 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 technical experts and development partners.

The Developmental State in Perspective

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 come full circle (Chikulo 1998; Mkandawire 1998; Bull 2006). At the dawn of the first development decade in the 1950s, there was unshakeable faith in the ability of the state to spearhead development as a mobiliser of resources, provider of infrastructure and public entrepreneur advancing the pace of economic growth and development. The state was given a central role in the pioneering views of the process of development (Sanbrook 1993:Mkandawire 1998). However, the economic crisis of the late 1970s and early 1980s changed all this. From being glorified as a catalyst of development, the state was firmly condemned as the major impediment to the achievement of rapid and sustainable economic growth and development in the developing world. A litany of pejoratives describing the state became fashionable;[1] and 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 its 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 substantially rolled back the involvement of the state in the development processes against the backdrop of a dogmatic advocacy of market reforms. Simply stated, SAPs advocated for the withdrawal of the state which, in turn, led not only to the weakening of the state but also the downscaling of its size and influence (Chikulo 1998; 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 were associated with a huge drop in living standards and a huge rise in inequalities. SAPs generated adverse socio-economic effects and considerably weakened the state and its internal structures. Unemployment and the prices of essential commodities soared, while expenditures on social services, especially health and education, substantially declined (Clark 1991; Chipeta 1993; Chinsinga 2003a). Ultimately, SAPs greatly debilitated the role of the state in the socio-economic development process necessary for rapid and sustainable economic recovery.

The disappointing track record of the SAPs invariably brought the role of the state back into the limelight in development discourse. This trend was further enhanced by the debate about the historically remarkable success story of the Newly Industrialising Countries, popularly dubbed the East Asian miracle (Chinsinga 2003b; Bull 2006). Led by the World Bank, the neo-liberals argued that the success of the NICs was indebted to the market-oriented policies these countries had put in place. The argument was that such policies encouraged investments and exports that, in turn, contributed towards remarkable economic growth and development. The alternative view was that the East Asian miracle should be attributed 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 (Amsden 1989; Bull 2006).

The weight of evidence marshalled by the advocates of the role of the state in the NIC success story opened a new epoch in discussions of the developmental state. Popularly characterised as "bringing the state back in", these discussions were relaunched by the World Bank in its 1997 *World Development Report*, in which it unequivocally acknowledged, for the first time since the 1981 Berg Report, that the state had a key role to play in socio-economic development. The bank's position tremendously amplified the UNDP position adopted a year earlier. Read together, the UNDP and the World Bank advocated for the reinvigoration of state institutions and capabilities if people's needs were to be effectively addressed. Thus, the two institutions acknowledged the need for a strong activist state. 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).

With the debate about developmental states rekindled, the key question remains: what *is* a developmental state? This is not as straightforward a question as it may seem. The main challenge in defining a developmental state is the tendency to equate it with impressive economic performance (Mkandawire 1998), since 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 resulting definitions tautological.

Scholars often have recourse to the NICs in their attempts to define a developmental state (Chikulo 1998; Harrigan 2001; Mbabazi and Taylor 2005; Bull 2006). From this perspective, a developmental state is generally defined as one whose ideological underpinnings are developmental and that seriously attempts to deploy its administrative and political resources to the task of economic development. Thus, a state qualifies as developmental if it is purposefully driven to promote development and utilise its offices in order to facilitate improvement alongside other actors such as the private sector and civil society (Mbabazi and Taylor 2005). The definition of a developmental state offered by Leftwich (1995) deserves to be specially highlighted, however. Leftwich (1995) 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 organising it directly, or by a combination of both. The uniqueness of Leftwich's definition lies in its emphasis that the pace and thrust of state developmental strategies must be politically driven and shaped (see also Chikulo 1998; Mbabazi and Taylor 2005).

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

- existence of a determined developmental elite who are legitimate and capable and are 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 myopic special interests;
- social anchoring that prevents the state from using its autonomy in a predatory manner and enables it to mainatin the support 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 methods of state intervention in the economy without sabotaging the market principle.

Malawi's Experience with the Developmental State

Malawi has 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 then 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 (Chinsinga 2003c; Dulani 2005). The one-party state had become a developmental disaster, since the state was dominated by a small ruling clique led by Banda, Mama Cecilia Kadzamira and John Tembo, characterised by Mhone (1992) as the governing triumvirate at the apex of an autocratic state machinery.

Nearly all accounts of one-party Malawi characterise it as a complete betrayal of the spirit of the independence struggle (Nzunda and Ross 1995). Independence had been greeted as an opportunity to redress popular grievances, promote economic development and generally rescue Malawi from the junk heap of colonial history, where it had been relegated to the status of a colonial slum (Mhone 1987; Kishindo 1997). However, foreshadowed by the 1964 cabinet crisis, a political environment capable of fulfilling the dreams of the independence struggle failed to materialise. The ministerial and parliamentary structures of the new state were purely nominal and had the facile function of rubber stamping and rationalising handed down policies. Consequently, the state became 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).

Characterising this one-party regime as a developmental state would be ludicrous. Despite its name, the *Statement of Development Policies*, the key policy blueprint for the regime until its demise in May 1994, was only a framework to enable the ruling class to exploit the masses (Kishindo 1997; Ngwira 2002). Within this framework, agriculture, especially estate agriculture, was viewed as the generator of revenue to fuel 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 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 Development Policies*, perhaps inspired by the tenets of the trickle-down theoretical construct that was in its prime at that time (Kishindo 1997; Harrigan 2001). However, the lucrative estate agriculture prioritised in the *Statement of Development Policies* mostly just benefited a minority and functioned as an important instrument of patronage for Banda and the ruling clique, combined with coercion, charisma and populism. It is not surprising, therefore, that Malawi entered 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 alarmingly high, 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 celebrated as a momentous occasion signifying a new and inherently positive beginning in the country's development efforts. Oddly, however, the transition from authoritarian one-party rule to multiparty democracy is widely considered as marking the collapse of the country's policy-making processes (Rakner et al. 2004; Booth et al. 2006). The quality of policy and the 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, resulting in a complete loss of direction for state business. This was surprising to say the least; the advent of a democracy had been expected to strengthen the quality and the capacity of policy-making processes, since the policy-making processes would now be subjected to the influence of a multitude of actors at various levels of society as part of the democratic process. Policy-making was also expected to be procedurally more open and inclusive, with qualitatively superior policy outcomes than in the past (Chinsinga 2007b). In the one-party regime, policy-making had been centralised in the presidency. The president had driven the vision, direction and pace of policy outcomes, especially in terms of defining the core ideas, framing the issues and setting the measures of success for policy initiatives.

It is, therefore, a huge paradox that, instead of improving, the quality of policy and policy-making greatly deteriorated (Rakner et al. 2004; Sahley et al. 2005; Booth et al. 2006). All accounts attribute the deterioration to the leadership and governance style of President Muluzi. Booth et al. (2006) provide the most 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 debilitated administrative capacity. This practice corrupted the civil service to the extent of undermining its capacity to generate coherent, well-grounded policy approaches. The civil service came to be dominated by presidential loyalists who were not competent to make use of technically orientated policy analysis. Thus, when technical advice was offered, it was not taken seriously. Technical specialists with evidence-based policy experience became progressively demotivated and adopted a *laissez-faire* approach to government business.

These developments were a radical departure from the one-party regime's policy-making processes. In Banda's regime, technical advice was seriously considered before being sidestepped. Instead of just being ignored, technical advice was only overruled after careful thought and consideration. Under Muluzi, the relatively honest, disciplined, well-paid, professional and hardworking civil service of the one-party era was replaced by a lax, demoralised and underpaid civil service distracted by private business activities and more easily corrupted. Coupled with Muluzi's lack of a clear and articulated development vision for Malawi, this created a situation in which policy was driven mainly by patronage, in sharp contrast to the previous regime where patronage had followed policy. According to Booth et al. (2006), Banda's long-term vision during the one-party era combined with a professional and well functioning civil service to ensure that policy was made and implemented with a degree of consistency.

The decline in the government's capacity to formulate and implement policy is ironically underscored by the multiplicity of grand policy documents published since the turn of the 1990s. According to Booth et al. (2006), a notable feature of Malawi's situation is the plethora of policy documents on the one hand, and the absence of successfully implemented policies on the other hand. At least five grand policy documents have been produced since 1994, but compared to the policies of the 1960s and 1970s, which lived through their planning horizon, the recent policy documents have all overlapped. This, in turn, has created considerable policy uncertainties and made policy coherence extremely difficult to achieve (Chirwa, Kydd and Doward 2006). The challenges created by these fluid, shifting policy strategies were duly recognised in the 2002-2006 Public Sector Management Reform Programme (PSMRP). The PSMRP acknowledged that the policy-making processes in Malawi are chaotic because of the absence of a central agency charged with the responsibility of providing leadership and creating public support 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 oftentimes 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; Sahley et al. 2005). Consequently, competing views, interests and demands among donors have substantially compromised policy coherence, and subjected policy-making and implementation to often polarised 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 (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 Bingu wa Mutharika, who succeeded Bakili Muluzi in 2004, is restoring and championing a fairly technocratic approach to policy-making patterned on an elaborate development vision for the country.[2] 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 of reducing poverty sustainably. The MGDS distinguishes five thematic areas: sustainable economic growth, social protection, social development, infrastructure development and improved governance. The major sign of the country's recovery in the realm of policy-making is the successful implementation of the fertiliser subsidy programme in the 2005/2006 growing season. At the same time, doubts have been expressed as to whether Mutharika's politics will be significantly different from those of his predecessors. The argument is that he might have a genuine desire to transform the way government works but that his efforts are likely to be undermined by the realities of Malawi's politics. Patronage is deeply entrenched and embedded as an organising framework for politics in the country, and any kind of radical reforms will have contend with its enduring logic (Sahley et al. 2005; Booth et al. 2006).

Context and Origins of the 2005/2006 Fertiliser Subsidy Programme

The origins of the fertiliser subsidy programme can be traced to the electoral campaign for the May 2004 elections that 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 fertiliser subsidy, as all leading candidates promised some kind of support to the smallholder agricultural sector. This was not surprising, given that the problem of food security had become more or less endemic in the country since the 1990s. Recurrent episodes of severe hunger crises had turned food security into a fierce battleground both for parties in government and outside government.

Two broad positions on fertiliser subsidy could be distinguished during the campaign. The ruling UDF and its coalition partners advocated a universal fertiliser subsidy for maize producers only. They promised to reduce the price of fertiliser from MK 3,000 to MK 1,500 per 50kg bag. The opposition block, led by the MCP, advocated a universal fertiliser subsidy programme for both maize and tobacco producers. Prices for both maize and tobacco fertilisers would be reduced to MK 950 per 50kg. The differences in the subsidy proposals reflected, to a large extent, the variations in the regional support bases for the political parties. The MCP, whose strongest political base (the central region) is a dominant tobacco producer, had no choice but to advocate extending the fertiliser subsidy programme to tobacco (Chirwa, Kydd and Doward 2006).

The hallmark for this electoral campaign was a simple narrative: 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. National food security and a reduction on the dependence on food imports required, it was argued, concrete state action. The basic argument in this narrative was that Malawi ought to be self-sufficient in food production. 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, stay too long and get enmeshed in politics, while donor aid is unpredictable (Bird, Booth and Pratt 2003; Levy 2005).

The UDF won the May 2004 elections. The popular expectation was that the new government would immediately reduce fertiliser prices as promised during the campaign period. This did not happen. Indeed, the government took a very long period of time to even articulate a clear and concrete fertiliser policy (Chimphonda and Dzoole-Mwale 2005). The delay in clarifying the government's position created the impression that there would be a universal fertiliser subsidy, which turned out not to be the case. Instead of implementing a fertiliser subsidy programme, the government announced in August 2005 that it would continue with the Targeted Input Programme (TIP), but on a much bigger scale. This programme provided at least half of farming families with free inputs containing 0.1 ha worth of fertiliser, maize seed and legume seed. 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 fertiliser for everyone (Sahley et al. 2005). The uncertainty was further enhanced when the Principal Secretary of Agriculture, speaking at the annual meeting of the National Smallholder Farmers Association, hinted that fertiliser prices would go down and advised farmers to wait before procuring fertilisers until government had come up with a definite statement on prices (Nation 2004).

The uncertainty had two serious consequences for the 2004/2005 growing season. First, it made it extremely difficult for the private sector to make orders for fertiliser on a timely basis. This led to a scarcity of fertiliser on the market, even for those farmers who could afford the prevailing market prices. Second, the ETIP inputs arrived very late because of the time it takes to get fertiliser into the country from overseas suppliers. The delivery period for fertiliser is about 8 to 12 weeks from the time orders are placed with the suppliers. Consequently, the distribution of ETIP inputs was delayed, in most cases done after the maize had already developed past the critical stage for the application of basal dressing fertiliser (Sahley et al. 2005; Chimphonda and Dzoole-Mwale 2005). Coupled with a severe drought during the 2004/2005 growing season, this culminated in a severe hunger crisis affecting about four million Malawians. The food deficit was estimated in the region of 700,000-1,000,000 tonnes out of the 2.1 million metric tonne annual requirement.

It is argued that the government was hesitant to implement a universal fertiliser subsidy programme for fear of jeopardising the prospects of qualifying for debt relief under the Malawi Poverty Reduction Strategy (MPRS). The restoration of fiscal prudence and discipline was one of the key triggers for the country to qualify. At the peak of the 2004 campaign, donors had warned that increasing the fertiliser subsidy could affect the decision on the country's US$113 million debt. Moreover, donors had suspended aid to the country since 2001 due to problems that included: (1) diversion of donor resources to non-priority areas; (2) unbudgeted expenditures, especially on external travel; (3) disbursement of resources to the poor without a viable bureaucratic mechanism for accountability, and (4) a dramatic increase in official corruption and patronage (Fozzard and Simwaka 2002; Rakner et al. 2004).

The Battle for a Universal Fertiliser Subsidy Programme

The 2004/2005 hunger crisis intensified the debate about the need for the re-introduction of the fertiliser subsidy programme. In particular, it provided opposition political parties and advocacy groups with a platform to attack the president and his administration for failing to deliver on the promise made during the electoral campaign. They argued that the president had not only failed to reduce the prices of fertiliser but, perhaps more critically, had messed up the ETIP and thereby brought on the 2004/2005 hunger crisis (Sahley et al. 2005; IRIN 2007). The fact that the president had resigned from the UDF, the party that had sponsored him, 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 increased tensions in 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 and prospects of agriculture in the country. The main recommendation of PCANR, dominated by the MCP, was that the country should introduce and implement a universal fertiliser subsidy for maize and tobacco. The justification was that it would address the market and productive sides of the food security equation respectively. PCANR's proposal was that price ranges for maize and tobacco fertilisers should be between MK 700 and MK 900 per 50kg (Chimphonda and Dzoole-Mwale 2005). However, the president's immediate response avoided any reference to the subsidy issue and suggested instead that the solution to Malawi's predicament lay in massive investment in irrigation, which past governments had neglected.

The president's response underlined his sensitivity to the concerns of donors. His main preoccupation at this time was to get the economy back on track by fixing key economic fundamentals. The previous administration had mismanaged the economy to the extent that, by 2004, it was on the brink of collapse. The president was determined, therefore, to win back donor confidence, so that the support donors had withdrawn in 2001 could be restored. The country was just beginning to get on course to achieve qualification for comprehensive debt relief, and the president did not want to jeopardise this. His response, however, did very little to shift the focus away from fertiliser 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 and, by this time, DFID was the only remaining donor, the others having pulled out. Its timeframe for programme support had now expired, and programme appraisals had concluded that TIP was not the best way of offering support to the agricultural sector. Households targeted under TIP were the poorest of the poor (people with disabilities, the chronically sick, the elderly) and could not make productive use of the inputs. In most cases, the beneficiaries ended up either selling the inputs or not putting them to maximum productive use (Chinsinga, Dulani and Kayuni 2003; Levy 2005).

DFID's decision was another huge blow to Malawi's agricultural sector. Without TIP, the magnitude of food deficits would have been unbearable. This cannot be overemphasised, as Malawi's smallholder agriculture has not been without any kind of support since the removal of the fertiliser 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 emphasised that the majority of smallholders cannot afford the basic productive resources – seed and fertiliser – because of the severe poverty they find themselves in. Something, therefore, had to be done if Malawi was to avoid descending into an abyss of hunger. Moreover, a compact between government and its citizens regarding agricultural inputs entitlements seemed to be entrenched. This is aptly captured by Sahley 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 fertiliser transfers have instead become part of most household subsistence strategies. Fertiliser transfers are no longer viewed as an effective livelihood development strategy. It has instead become a critical part of the national safety net. Fertiliser 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, the president announced the introduction of a fertiliser subsidy programme in June 2005, emphasising that the subsidy would be targeted at resource-constrained but productive maize farmers. The objective of the programme was to provide fertiliser to people who had the resources to use it productively but would otherwise have difficulty in obtaining it. The architecture of the subsidy programme was based on lessons learnt from the implementation of TIP as observed above. The president ruled out a universal fertiliser subsidy programme as advocated by the PCANR, arguing that Malawi could not afford it. The president's more modest proposal would still cost between MK two and three billion. This guarded concession to the demand for a fertiliser subsidy was motivated by the president's desire not to alienate donors who were wary of the negative impact a universal fertiliser subsidy would have on the economy, notably on private sector development.

The proposal for a limited fertiliser subsidy ignited intense political debate. Opposition parties insisted on a universal programme and, taking advantage of their strength in parliament, made adoption of a universal programme a precondition for passing the 2005/2006 budget. The government gave in, and a universal fertiliser subsidy programme with a budget of MK 4.7 billion (about US$ 35 million) was agreed. The understanding of MPs was that any smallholder farmer would be entitled to buy as many bags of fertiliser as they could afford without any rationing mechanism in place. However, the programme was implemented using coupons.

Reactions to the Fertiliser Subsidy Programme

The implementation of the fertiliser subsidy programme against the backdrop of electoral, legislative and aid politics was seen in some quarters as a regressive and potentially disastrous step. Many technical experts and donors were appalled by the government's decision to go ahead with the subsidy programme. They argued that the programme ran counter to all the efforts at liberalisation reforms that had been ongoing for many years. The Economics Association of Malawi (ECAMA), for instance, argued that the implementation of the universal fertiliser subsidy would lead to economic disaster, since government would be forced to spend beyond its means. ECAMA pointed out that MPs were demanding a universal fertiliser subsidy without prescribing the source of funds and argued that a universal subsidy would force the government to borrow on the domestic market, which would then put pressure on inflation and interest rates. 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 a maize surplus. The argument was that, in the absence of such mechanisms, the subsidy programme risked creating disincentives to maize production, in which case the intended effect of the programme on food security would be negated. No donor supported the subsidy programme, and the full cost was borne by the government.

Ironically, this lack of donor support only reinforced the narrative that had been so prominent in the 2004 electoral campaign around the fertiliser subsidy programme and the achievement of food security. Notwithstanding the differences between the government and the opposition parties regarding the modalities of implementation, the consensus about the need for such a programme persisted strongly. The narrative was further embellished when it was argued that it was better to subsidize production than consumption. Experience with the 2004/2005 food crisis further solidified the narrative, particularly from the standpoint of the cost implications of importing food during a times of crisis. Food imports during the 2004/2005 crisis had cost MK13 billion, compared to the MK 4.7 billion proposed for the subsidy programme. This struck an instant chord with all segments of Malawian society; it was clear the fertiliser subsidy programme would be a more cost-effective approach to achieving food security than alternative interventions. Stambuli's study (2002), which argued that one dollar of food imports achieves only 30 per cent of what the same one dollar would have achieved as a production subsidy, was often invoked. Stambuli's study had been inspired by the observation that maize imports constituted the second largest budget item in Malawi after debt service. Stambuli (2002) estimated that a tonne of maize imports costs roughly US$ 300 and would feed five families for about 96 days. The same US$ 300, however, would be adequate to procure enough fertiliser to produce 13 tonnes of maize that would feed the same families for 10 months. A study by van Donge et al. (2002) found that farmers' cultivation of their own food crops is also highly valued culturally. A household that does not grow its own food is considered as good as dead.

Strikingly, the narrative around the subsidy programme rekindled the debate about whether or not to privatise ADMARC (Mvula, Chirwa and Kadzandira 2003; Chinsinga 2004). ADMARC, which in addition to holding a monopoly on farm inputs, was the sole trader of maize and the buyer of last resort. Its main function vis-à-vis food security was the maintenance of a maize price band. The aim of the price band was to stabilise 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 (Sahley et al. 2005; Chirwa, Kydd and Doward 2006). Instigated by the IMF and the World Bank under the auspices of structural adjustment programmes, ADMARC had been subjected to a number of reforms with a view to making it more efficient and effective. The rationale for the reforms was that ADMARC survived on heavy subsidies that drained the treasury and created disincentives for private-sector entry into the market. The reform measures had included management reforms, closure of uneconomic marketing outlets and liberalisation of smallholder farmer crops. But the closure of some uneconomic ADMARC markets substantially contributed to widespread food insecurity for smallholders, especially those in remote areas inaccessible to private traders. The strong national consensus around the fertiliser subsidy programme served as an occasion for 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 a repeat of the hunger that hit the country in 2004/2005. The former Minister of Agriculture summed the consensus: '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' (Nation 2005).

Donors' Narratives of the Fertiliser Subsidy Programme

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

Donors Totally Opposed to Subsidies

The main donor agencies that remain entirely opposed to the subsidy programme include the International Monetary Fund (IMF) and the US Agency for International Development (USAID). The key argument of this group of donors is that subsidies create market distortions that make private-sector development virtually impossible (Harrigan 2005). They argue that the implementation of the subsidy programme risks wiping out the private sector dealing in fertiliser. This argument is justified on the basis that smallholder farmers' demand for fertiliser in Malawi is estimated at 200,000 metric tonnes per annum, while the subsidy programme provides up to 150,000 metric tonnes. However, the 150,000 metric tonne ceiling is likely to be exceeded due to excessive political pressure; it has, 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 for fertilisers to the smallholder market. This changed following liberalisation, which opened up the market to private entrepreneurs. The shares of the private sector in both importation and sales have ever since remained over 70 per cent, at times peaking to over 90 per cent, until the introduction of the fertiliser subsidy in the 2005/2006 growing season. The share of the private sector in fertiliser 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 subsidised fertiliser. This argument is further strengthened by Nakhumwa's (2005) observation that the fertiliser subsidy programme took up almost 91 per cent of the smallholder fertiliser 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. They maintain that fertiliser subsidies are very difficult to target and that the benefits generally go to relatively well-off farmers. They argue that administrative costs, leakages and targeting problems make subsidies a grossly inefficient way to target the poor (Donovan 2004; Pender, Nkonya and Rosegrant 2004), while a market-based approach is ideal because it creates a favourable environment for the private sector to thrive and 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. In particular, according to this view, uncertainty over government responses destabilises the market and dissuades the private sector from engaging in either fertiliser supply or grain trade, thereby keeping fertiliser expensive and unprofitable and output markets volatile.

Donors Sceptical but Willing to Engage with Subsidies

The group of donors sceptical but willing to engage with subsidies includes DFID, the World Bank and the EU, among others. These donors are wary about government capacity and emphasise 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 the case of market failure, but the subsidies should be properly targeted at economically active and productive beneficiaries. These donors are also 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 but are considered fiscally unsustainable if the intention is to institutionalise subsidies as an integral part of a development strategy (Sahley et al. 2005). In this view, subsidies have to be conceived within the broader framework of social protection when 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 Malawi, with about 52 per cent of the people living below the poverty line and 22.3 per cent ultra-poor. These people may require some kind of special intervention, since they are very unlikely to benefit from the process of economic growth (Government of Malawi/World Bank 2006; Devereux et al. 2006). The idea is to ensure that support is provided only to those that are genuinely unable to afford a certain commodity. Thus, these donors advocate for-targeted subsidiess with market-friendly mechanisms, subsidies that are clearly defined in terms of duration and financial commitments so as to ensure predictability. Since unpredictability would create excessive market distortions, they argue for clear exit strategies. From their point of view, subsidies are only a short-term intervention and are fiscally unsustainable in the long run.

At bottom, these agencies maintain that subsidies are not the best way to support agricultural development. They appeal to the experience of TIP to show that distribution of free inputs does not necessarily lead to enhanced production, arguing that people do not value free inputs and they do not use them optimally. Many TIP beneficiaries ended up selling their packs, for instance. Their argument, therefore, is that subsidies must be properly targeted and 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 revitalising smallholder agriculture. The argument is that other strategies are more effective than subsidies 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 risk being crowded out by input subsidies (World Bank 2005).

Donors and NGOs Supportive of Subsidies

Donors supportive of subsidies include most UN agencies, NORAD and local and international NGOs such as Oxfam, ActionAid, Plan International etc. They support the programme on the basis that fertiliser is critical to boosting production and assuring food security, and that phasing out subsidies 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 that subsidies will not distort the market because the private sector is almost non-existent. Besides, without some kind of pan-territorial subsidies, they point out, some areas in the country would not be served at all because of the extremely high costs of doing business in remote areas. According to the 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 fertiliser use toward the socially optimal level (IFDC 2003; Pender, Nkonya and Rosegrant 2004). They argue that the current uptake of fertiliser in Malawi is very low (estimated at about 34 kg per hectare against the recommended maximum of 150 kg depending on input-output ratios). This is typical of sub-Saharan Africa, where farmers have generally lagged far behind other developing areas in fertiliser use. The average intensity of fertiliser use throughout sub-Saharan Africa is roughly 8 kg/ha, while in Latin America it is 54 kg/ha. In this narrative, subsidies are seen as an ideal means of kickstarting a process of innovation or scaling up activity that will increase agricultural productivity in the medium to long term, if not in the short term. This view received a major boost from 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 get out of extreme poverty. The package comprises investments in agriculture and environment, health and nutrition, infrastructure, energy and communication and education and training in villages or conglomerations of villages (Cabral, Farrington and Ludi 2006).

The pro-subsidy view also builds on the Sachs-Bono position that subsidies are the only sure way to achieve food security in most of the developing world. The argument is that, once farmers have fertiliser, improved seed and good water management, developing countries like Malawi can achieve food security. Thus, for these countries to achieve a green revolution, farmers have to have access to cheap agricultural inputs at whatever cost. NGOs argue that the need for subsidies is a clear vindication of the failure of the neo-liberal economic reforms that Malawi and other African countries have been implementing since the beginning of the 1980s (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 vision is for universal fertiliser subsidy but implemented in a phased manner in order to ensure affordability. NGOs further advocate for the institutionalisation of the subsidy programme for purposes of ensuring predictability and facilitating planning among farmers.

Some NGOs subscribe to the lead role of the private sector in spearheading agricultural development but emphasise that government nonetheless has a key role in helping to create markets, where they are missing, through effective and predictable targeted interventions and the introduction of regulations to make markets function properly. They further argue that donors, beyond saving lives in emergencies, should refocus and increase their aid towards preventing crises and promoting livelihoods by supporting subsidies and broader food-security interventions that are known to be cheaper and more cost-effective over time than large-scale emergency responses.

The three main positions and narratives of donors are summed up in Table 5.1.

Impact of the Subsidy Programme

The implementation of the 2005/2006 fertiliser 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 led to widespread corruption. They also observed that the programme was over-

Table 5.1 : Donor Narratives and Evidence on Fertiliser 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 fertiliser estimated at 200,000 against 150,000 target for the subsidy programme • uncertainty over fertiliser 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 • need for 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 • 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 fertilisers • need for subsidies underscoring failure of neo-liberal reforms	• high levels of poverty exacerbated by the failure of neo-liberal reforms • uptake of fertiliser is currently very limited, estimated at 34 kg/ha against the recommended rate of 150 kg/ha

whelmed by logistical problems with regard to planning and distribution of the farm inputs (Chirwa, Kydd and Doward 2006; IRIN 2007). Chiefs were accused of selling coupons to people who already had money to buy fertiliser. The opposition accused the government of manipulating the coupon system by favouring areas that supported the ruling party. Thus, for the opposition, the fertiliser subsidy was abused to draw people into supporting the DPP. While acknowledging some problems with the coupon system, the government placed the blame on opposition parties. The president conceded that, in some cases, coupons were not given to the intended beneficiaries but said this was because the opposition parties were stealing the fertiliser in order to create a crisis by buying subsidised fertiliser in bulk.

Nevertheless, the impact of the subsidy programme on maize yield was unprecedented. Contrary to the fears of the donors and technical experts, Malawi enjoyed its biggest-ever harvest of 2.6 million metric tonnes of maize, at least half a million tonnes more than its annual requirement of two million metric tonnes. The success of the programme is a subject of continuing debate, however. This debate revolves around whether the huge surplus maize harvest should 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 is a result of the subsidy programme, a perception that has been hyped by the success narratives orchestrated mainly by the government and donors supportive of subsidies. The shift in the positions of those donors who were initially critical of the programme has further strengthened and solidified the success narrative.

Doward et al. (2007) provide a preliminary analysis of the impact of the 2005/2006 fertiliser subsidy programme, using anecdotal evidence in some cases. According to this assessment, incremental fertiliser use on maize as a result of the 2005/2006 subsidy is estimated to be around 45,000 tonnes. This translated into a record harvest of 2.72 million against the backdrop of favourable rainfall patterns. A comparison is drawn to the experience of the 1999/2000 growing season, when Malawi registered a 2.5 million metric tonne 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 tonnes. The conclusion of Doward et al. is that the 2005/2005 subsidy programme had a positive impact on maize production estimated in the range of 15 to 22 per cent of total production. The programme has also reportedly had a positive impact on the livelihoods of the people. The main reason for this is that the prices of maize generally remained low during the 2006/2007 growing period while *ganyu* (casual labour) rates increased by 50 per cent in kwacha, which with lower maize prices suggests increases in real wage rates of 75 per cent or more (Doward et al. 2007). 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 recognised 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.

On the other hand, the impact of the subsidy programme on the private-sector fertiliser 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 had been taking shape since the advent of liberalization. Most stakeholders pointed out that a good number of dealers have closed out their retail networks. Based on interviews with private-sector stakeholders, and further confirmed by Dorward (2007), it appears that 60 to 70 per cent of the retail outlets closed 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 fertiliser sales tumbled from 87 per cent in the 2004/2005 growing season to 41 per cent during the 2005/2006 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 fertiliser 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 side-stepped. Donors had responded to the state's weak policy-making by increasingly stepping into the government's shoes, substituting for it in the policy function (Sahley et al. 2005; Booth et al. 2005). As a result, agricultural policy processes in Malawi have been subjected to competing views, interests and demands that have compromised policy coherence and subjected policy-making and implementation to ideological leanings. However, in the 2005/2006 growing season, the government, operating within the framework of domestic politics, set a policy agenda for the agricultural sector and determinedly implemented it.

Nevertheless, a conclusive assessment of the impact of the 2005/2006 subsidy programme may be premature. A number of issues remain to be dealt with in order to estimate the positive impact of the subsidy programme with precision. These include, most notably, the fiscal sustainability of the programme, the impact on the private sector and the efficiency of ADMARC as compared to the private sector. Meanwhile, the success narrative, coupled with some indications of positive impacts in highly visible aspects of the programme, are raising the profile of subsidies as a possible magic wand for the problem of food insecurity that had become more or less endemic over the last two decades.

Donor Responses to the Subsidy Programme

How did donors respond to the outcome of the subsidy programme? Following much debate, a certain reluctant pragmatism emerged. The change in the positions of donor agencies vis-à-vis their earlier uncompromising stance on the fertiliser subsidy 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 future engagement with the government. The agencies demonstrated a 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 liberalisation narrative. It emphasises that the revitalisation 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 (Cabral and Scoones 2006). As for DFID, while subscribing to the broad regulatory role of the state, it entrusts the state with the task of kickstarting rural markets, especially in poorly resourced, remote rural areas where high transaction costs and coordination failures constrain private-sector development. Targeted subsidies are supported as temporary measures to remove barriers for private-sector participation in markets (Cabral and Scoones 2006).

The donors' change from their initial positions was inevitable when 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 in Malawi is closely linked to the availability of maize or, more broadly, food security. The divisions among 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, the programme was remarkably successful. Given the government's determination to implement the subsidy programme, the donors had 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, especially in view of the fact that the turnaround was justified as an attempt to be in tune with the government's own priorities and commitments.

It is not surprising, therefore, that, during 2006, a reconfiguring of actors took place around a new, more coherent policy narrative. A group of donors including DFID, USAID and the World Bank commissioned studies to learn from the lessons of the 2005/2006 experience, which seemed to encourage a backing away of 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 subsidised fertiliser and other farm inputs on equal terms with ADMARC and SFFRFM;

- promotion of choice among beneficiaries in terms of the range of fertilisers involved and the outlets for fertilisers and seeds;

- extension of the subsidy intervention to other crops besides maize and tobacco in order to promote crop diversification;

- development of 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 forced the policy process to move on. Populist maize politics had won out over sound economic policies, at least from the perspective of the donors. An alternative viewpoint was that democracy had succeeded in the face of interfering pressure from donors, For others, a sensible pragmatism had arisen through negotiation, reviewing evidence and overcoming ideological positions.

The experiences of the 2005/2006 fertiliser subsidy programme regarding the trade-offs between various stakeholders, including the evolution of donors' reactions, clearly underscore the fact that policy-making is 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 conceptualised as courses of action, elements of ongoing processes of negotiation and bargaining between multiple actors over time. This involves focusing on the intersections and negotiations of knowledge, power and politics.

The Emergence of a Developmental State in Malawi?

The successful implementation of the 2005/2006 fertiliser subsidy programme, culminating in a dramatic decline in the severity of the food-security problem in the country for the first time in nearly 20 years, is a significant achievement. There is no doubt that the subsidy programme greatly enhanced the stature and legitimacy of the state machinery. The ability of the government to put food on the table enhanced its credibility in the eyes of the people. Thus, the people are now 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 basis of existence.

But does this portend the re-emergence of a developmental state in Malawi? Privileged with the benefit of hindsight, it could be argued that 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 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 its goals. The huge dent, however, in the one-party state's development endeavours was the blatant exploitation of the masses due to both the development strategies themselves and the failure to distribute the benefits of development fairly. Instead of trickle-down, there was trickle-up; the benefits of development went only to a minority of the population. In other words, the state was captured by a small ruling class commandeered by what Mhone (1992) characterised as the triumvirate. For this reason, the history of the one-party state has been generally characterised as one of monumental democratic and development failure. In effect, the one-party state was 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 with the ability to clearly articulate its development goals but substantially democratic in nature. The transition provided the opportunity to propagate and institutionalise a viable developmental state, a state that not only embodies the principles of electoral democracy but also ensures citizens' participation in development and governance processes (Edigheji 2005). However, as demonstrated in this paper, the capacity of the state in policy-making and implementation has deteriorated tremendously since May 1994 even though there are some incipient signs of recovery. Technical capacity was decimated, patronage and corruption proliferated 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 government's dismal incapacity in policy processes was that donors effectively replaced it as the state's policy maker.

It is not surprising, therefore, that the success of the 2005/2006 fertiliser subsidy programme is widely celebrated as a notable success story and, in some circles, projected as a possible blueprint for future policy-making processes in the country. The optimistic view is that the experiences with 2005/2006 fertiliser subsidy programme can serve as a useful starting point for resurrecting the developmental state in Malawi. Moreover, a democratic framework, considered key to the establishment of a viable developmental state in contemporary development discourse, is in place, even though it is still fragile in certain respects.

The major positive lesson from the 2005/2006 fertiliser subsidy programme 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 was almost revolutionary, 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 programme but proceeded without the support of the donor community. The fact that donors later reconsidered their initial hard-line positions and became willing to engage with the programme is an instructive development. It has given government the confidence that it can meaningfully engage with donors in a bid to assert priorities that are responsive to the needs of its 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 actor able to identify and implement development goals (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 building on this positive aspect of the fertiliser subsidy programme in the quest to establish a developmental state relates to the politics that led to its adoption and implementation. Leftwich (1995) places a 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 fertiliser subsidy politics in Malawi were very different from the idealised politics described by Leftwich. The politics that led to the adoption and implementation of the subsidy programme were not driven by a collective common good but rather by the myopic political interests of the various stakeholders in the political arena. It could as well be argued that it was quite accidental that these politics facilitated the adoption and implementation of the subsidy programme. The subsidy proposals united the government (understood as comprising both the ruling party and the opposition) as a collective actor because food security lies at the core of the legitimacy of governance. It is a huge political risk for any stakeholder to oppose initiatives of this nature; 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 priority. Thus, no faction was against support for the agricultural sector; the debate was about the strategies of how to provide support so as to ensure that all constituencies were served. It is doubtful, therefore, whether the fertiliser subsidy politics could be successfully transferred to any other policy process.

The problem of technical capacity in the policy-making function is yet to be addressed. In a critical review of social-protection policy, Chinsinga (2007c) observes that the government machinery is yet to recover from huge deficiencies in the skills, expertise and experience that are key to handling policy processes. As a result, donor dominance still prevails. Thus, there is an urgent need to invest in strengthening the 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 organisational capacity of the state, including its relations to surrounding social structures, is vital to the success of a developmental state. In particular, a powerful, competent and insulated bureaucracy is considered as an extremely important feature of the developmental state (Leftwich 1995; Mkandawire 1998; Mbabazi and Taylor 2005). There is no doubt that the experiences with the 2005/2006 fertiliser subsidy could be a precursor for resurrecting the developmental state in Malawi, but it is perhaps too early to fully project it as such. The potential of these experiences could easily be overestimated, especially given the unique nature of the politics of food security in the country. Nevertheless, these experiences provide considerable food for thought.

Notes

1. The African state was variously 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 1998.
2. 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).

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