



Agricultural Policy Research in Africa



# THE POLITICAL ECONOMY OF AGRICULTURAL COMMERCIALISATION IN MALAWI

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# ACRONYMS

<b>ACB</b>	Anti-Corruption Bureau
<b>ACE</b>	Agricultural Commodity Exchange
<b>ADMARC</b>	Agricultural Development and Marketing Corporation
<b>AGRA</b>	Alliance for a Green Revolution in Africa
<b>AHCX</b>	Auction Holdings Commodity Exchange
<b>ASWAp</b>	Agriculture Sector Wide Approach
<b>CBRLDP</b>	Community Based Rural Land Development Project
<b>CSO</b>	Civil society organisation
<b>DCGL</b>	Dwangwa Cane Growers Limited
<b>DEMATT</b>	Development of Malawi Traders Trust
<b>DFID</b>	Department for International Development
<b>DPP</b>	Democratic Progressive Party
<b>ECA</b>	Electoral Commission Act
<b>ESCOM</b>	Electricity Supply Commission of Malawi
<b>ETIP</b>	Extended Targeted Input Programme
<b>EU</b>	European Union
<b>FISP</b>	Farm Input Subsidy Programme
<b>FMB</b>	Farmers' Marketing Board
<b>GBI</b>	Green Belt Initiative
<b>GDP</b>	Gross domestic product
<b>IMF</b>	International Monetary Fund
<b>IRDP</b>	Integrated Rural Development Programme
<b>KADP</b>	Karonga Agricultural Development Project

<b>LGA</b>	Local Government Act
<b>LLDP</b>	Lilongwe Land Development Programme
<b>LSADP</b>	Lakeshore Agricultural Development Programme
<b>MACE</b>	Malawi Agricultural Commodity Exchange
<b>MACRA</b>	Malawi Communications Regulatory Authority
<b>MCP</b>	Malawi Congress Party
<b>MDF</b>	Malawi Defence Force
<b>MDG</b>	Millennium Development Goal
<b>MEGS</b>	Malawi Economic Growth Strategy
<b>MERA</b>	Malawi Energy Regulatory Authority
<b>MERP</b>	Malawi Economic Recovery Plan
<b>MGDS</b>	Malawi Growth and Development Strategy
<b>MHRC</b>	Malawi Human Rights Commission
<b>MMF</b>	Malawi Mudzi Fund
<b>MPRSP</b>	Malawi Poverty Reduction Strategy Paper
<b>MPS</b>	Malawi Police Service
<b>MPTF</b>	Maize Productivity Task Force
<b>MRA</b>	Malawi Revenue Authority
<b>MUSCCO</b>	Malawi Union of Savings and Credit Cooperatives
<b>MYP</b>	Malawi Young Pioneers
<b>NABW</b>	National Association of Business Women
<b>NASFAM</b>	National Smallholder Farmer Association of Malawi
<b>NES</b>	National Export Strategy
<b>NRDP</b>	National Rural Development Programme
<b>OPV</b>	Open Pollinated Variety
<b>P4P</b>	Purchase for Progress
<b>PLO</b>	People's Land Organization
<b>PMERW</b>	Promotion of Micro Enterprises for Rural Women

<b>SAP</b>	Structural adjustment programme
<b>SEDOM</b>	Small Enterprise Development of Malawi
<b>SMEF</b>	Small and Medium Enterprise Fund
<b>SP</b>	Starter Pack
<b>SVADP</b>	Shire Valley Agricultural Development Project
<b>TIP</b>	Targeted Input Programme
<b>UDF</b>	United Democratic Front
<b>USAID</b>	United States Agency for International Development
<b>WFP</b>	World Food Programme
<b>WWB</b>	Women World Banking
<b>YCS</b>	Youth Credit Scheme

# ABSTRACT

This paper examines the political economy of agricultural commercialisation in Malawi over the past three or so decades both in a contemporary and historical perspective. Drawing insights from Keeley and Scoones (2003) and Chinsinga and Poulton (2014), the underlying argument of this paper is that the twists and turns in the country's agricultural commercialisation processes have been shaped and influenced to a very large extent by the changing configurations of political elites and their underlying interests, incentives and motivations, including the influence of donors, especially since the transition to democracy in May 1994. The manner in which agricultural commercialisation has been conceived, contested and promoted has reflected either the degree of attachment or detachment of the political elites to the agricultural sector as a source of political patronage, fraud and corruption. Overall, however, the texture of agricultural commercialisation is very much shaped and influenced by debates about the land question and competing notions of

how food security can be achieved and guaranteed at national and household levels. For example, the contemporary vision of large-scale agriculture as the primary driver for agricultural commercialisation has not been effectively implemented due to pervasive chronic food security challenges since the late 1990s, epitomised by the implementation of the Farm Input Subsidy Programme (FISP) and the political sensitivity of the land question upon which its success depends. The commercialisation agenda is further dictated by the primacy of politics over ideas, which makes it extremely difficult for policy makers to forge ahead with the practical implementation of certain ideas because they are generally seen as being less politically expedient. The conclusion is that transformative and sustainable agricultural commercialisation can only stick if the questions of land tenure and ownership, as well as food insecurity, are addressed in a manner that creates win-win scenarios for all key stakeholders.

# 1. SETTING THE SCENE

This paper examines the political economy of agricultural commercialisation in Malawi both from a historical and a contemporary perspective. The key question is: how has agricultural commercialisation evolved in the past three decades or so, with particular focus on patterns of accumulation across social strata, noting winners and losers in the process? In addressing this broad question, the paper identifies the factors that have driven, shaped and influenced developments in the domain of agricultural commercialisation. There are other critical questions: who have been the main actors driving, shaping and influencing Malawi's agricultural commercialisation story? What incentives have been driving them and whose interests have they been trying to serve? To what extent have the changes in the economic and political landscape influenced and shaped the outcomes of agricultural commercialisation? What have been the key outcomes as well as their implications for Malawi's overall agricultural agenda? These questions are quite pertinent because Malawi is a predominantly agrarian economy. It is estimated that the agricultural sector: contributes as much as 35 percent to gross domestic product (GDP) and is relied upon by 85 percent of the population for their livelihoods; generates about 80 percent of rural employment; accounts for over 80 percent of export earnings; provides about 70 percent of total rural income; and anchors the backbone of Malawi's industrialisation, accounting for over 50 percent of the manufacturing sector (Chirwa and Zakeyo 2006; Chinsinga 2008; Chirwa and Matita 2012). The agricultural sector therefore lies at the heart of Malawi's political economy since it is vital to any concerted effort aimed at achieving inclusive growth.

The political economy review of agricultural commercialisation is undertaken using the Keeley and Scoones (2003) policy processes conceptual framework, supplemented by insights from Chinsinga and Poulton (2014) on the role of political context and associated bureaucratic incentives and interests in driving, shaping and influencing a country's overall agricultural agenda. The conceptual framework employed by Keeley and Scoones (2003) emphasises the dynamic interaction between narratives (knowledge and discourse), actors and networks (who is involved and how are they connected), and politics and interests (what are the underlying power dynamics). The use of this

framework was instrumental in tracking the competing narratives about agricultural commercialisation, the stakeholders (including networks and coalitions) behind these narratives, and the stakeholders' (networks and coalitions) underlying interests in advancing particular narratives. The narratives advance a particular world view (in this case in relation to agricultural commercialisation), which essentially entails a desired state of affairs, the benefits of attaining the desired state of affairs, and the consequences of failure to attain the desired state of affairs. The narratives form the basis for engagement and contestation between and among stakeholders in a particular domain. Chinsinga and Poulton (2014) emphasise the critical importance of the political context in shaping development and programme and/or project implementation outcomes.

The main argument is that the underlying interests of the governing elite are paramount in driving, shaping and influencing development and programme and/or project implementation outcomes. The political elite often frame development interventions, as well as their implementation, in a manner that would maintain them in power for as long as possible. These interests are, however, not static. Changes in the political landscape often alter the underlying interests of the political elite as well as the networks and coalitions behind those interests, with potentially different development and programme and/or project implementation outcomes. These two conceptual frameworks were very critical to understanding processes that create, sustain and transform relationships among key actors in the commercialisation domain within the broader schematic framework for political economy analysis. They provided the basis for understanding the political, economic and social processes at work within the domain of commercialisation and how they have driven, shaped and influenced institutional capacity and policy choices. This is to say that political economy analysis helps to situate development issues within an understanding of prevailing political, economic and social processes in society – specifically, the incentives, relationships, distribution and contestation of power between different groups and individuals (Tolentino 2010; Chinsinga, Mangani and Mvula 2011). The significance of political economy analysis is that it helps to identify and understand the political, economic

and social processes that promote or block pro-poor change as well as the role of institutions, power and the underlying context for policy processes. Consequently, policy processes are characterised as being deeply imbued with the clash of competing interests and viewpoints rather than an impartial, disinterested and objective search for correct situations for policy (Araujo et al. 2004). This underscores the fact that politics play a crucial role in shaping development outcomes, construed as contestation and bargaining between interest groups with competing claims over rights and resources. The major finding of this paper is that agricultural commercialisation in Malawi is intricately linked to the question of land reforms and competing notions of how food security can be achieved and guaranteed at national and household levels. The commercialisation agenda is further dictated by the primacy of politics over ideas, which makes it extremely difficult for policy makers to forge ahead with the practical implementation of certain ideas because they are generally seen as being less politically expedient.

The rest of the paper is organised as follows: section 2 discusses the country's political setting, focusing on the incentives and motivations of the political elite against the backdrop of political changes that have taken place, especially in the past two decades. Section 2 concludes with a brief overview of the notion of agricultural commercialisation to set the stage for the rest of the paper. Section 3 discusses the different phases of agricultural commercialisation that have been identified in Malawi. This discussion distinguishes the key actors, the competing narratives of agricultural commercialisation and their underlying political economy drivers, and their outcomes, focusing on winners and losers. These phases of agricultural commercialisation have largely coincided with the reconfiguration and realignment of political regimes and incumbent political elites. Section 4 contextualises some of the key issues identified in the preceding section by subjecting them to detailed analysis in terms of how they played out with reference to tobacco and maize value chains. Section 5 offers some concluding remarks and reflections.

## 2. POLITICAL LANDSCAPE AND AGRICULTURAL COMMERCIALISATION

### *2.1 Contemporary political history*

Malawi has undergone tremendous political changes in the past two decades. From probably the most repressive regime in southern Africa, Malawi reinstated multi-party democracy in May 1994 following both relentless donor and domestic political pressures (van Donge 1995; Chirwa 1998; Chinsinga 2007a). The momentous return to democracy saw the ouster of the Malawi Congress Party (MCP) and the ascendancy of the United Democratic Front (UDF) at the helm of government. The MCP had governed Malawi for 30 years between July 1964 and May 1994 under the leadership of Dr Kamuzu Banda. The transition to a democratic political dispensation opened considerable space for civil society organisations (CSOs) and independent media (Jenkins and Tsoka 2003). From being virtually non-existent, Malawi now boasts over 1,000 CSOs and scores of independent print and electronic media outlets besides the state-controlled broadcasters, which were the only source of information during the one-party era (Chirwa 1998; Dulani 2005). The political liberalisation further created space for donor influence in the policy making processes in specific sectors as well as in the country's overall development agenda. The circles of donor influence extended beyond the International Monetary Fund (IMF) and the World Bank to include various bilateral and multilateral agencies (Banik and Chasukwa 2016).

Since the founding democratic elections in May 1994, Malawi has had five consecutive general elections that have produced four different governments. The Bakili Muluzi government ruled from May 1994 to May 2004, whereas the Bingu wa Mutharika government ruled between 2004 and 2012. President Bingu wa Mutharika did not see through his second term of office because he succumbed to cardiac arrest in April 2012. He was succeeded by Joyce Banda, his estranged vice president, who had been expelled from Mutharika's Democratic Progressive Party (DPP) and proceeded to form her own party, the People's Party (PP), which governed Malawi between April 2012 and May 2014. The current government is led by Peter Mutharika, who defeated Joyce Banda in the May 2014 tripartite elections. This was the first time that democratic Malawi witnessed a change of government through the verdict

of the ballot. It is against this backdrop that the results of the May 2014 general elections were embraced by democratic enthusiasts as a significant milestone in Malawi's democratisation project (Dulani and Dionne 2014; Dulani and Chunga 2015). The previous changes in government since the transition to democracy in May 1994 can be regarded as accidental: late President Mutharika formed the DPP while already in government on the UDF ticket; and then Vice President Joyce Banda of the PP ascended to the presidency following the death of Bingu wa Mutharika in office in April 2012. While there is every reason to celebrate the peaceful transfer of power as a significant milestone, Malawi's democratic project remains characteristically fragile. Substantial progress has been made in establishing a gamut of democratic institutions such as the Office of Ombudsman, Anti-Corruption Bureau (ACB), Malawi Human Rights Commission (MHRC), and the Law Commission, but these are not allowed to function as stipulated in the relevant policies, regulations and statutes. Scholars like Meinhardt and Patel (2003) have observed that Malawi's democratisation processes remain fragile and incomplete in most respects. The underlying argument is that while the fundamental democratic structures are considered legitimate, there are increasing tendencies to retreat backwards and critical democratic processes are constantly threatened with reversal.

### *2.2 Malawi's political fragility in perspective*

There is no better area than the local government system to exemplify the fragility of the country's democratic project. Malawi should have constituted a functioning local government system as early as May 1994 as a logical conclusion to the successful democratic transition (Chinsinga 2005a; Chiweza 2010). The first local government elections (LGEs) were only held in November 2000 even though the enabling legislative framework was concluded in 1998. The absence of functioning local governments meant that power could not be meaningfully devolved to the grassroots, thereby limiting the participation of ordinary Malawians in the democratic governance and development processes. When the local governments were finally constituted between November 2000 and May 2005, they were not

properly supported and capacitated to carry out their activities. Funding remained centrally controlled until after 2005, and enabling policies, rules and regulations were not finalised to facilitate the activities of local governments. One critical example of incomplete regulations was sector devolution guidelines that would facilitate the interface between local governments and relevant line ministries in discharging devolved functions. This created apparent lack of unity of purpose and direction (Chinsinga 2005a; Chiweza 2010). The local governments therefore existed only on paper and never functioned as construed in the enabling legislative instruments.

When the tenure of local governments constituted in November 2000 expired in May 2005, the LGEs were continuously postponed until the May 2014 tripartite elections (Dulani and Chunga 2015). The country was governed for nine consecutive years without democratically elected and constituted local governments. The initial justification for the postponement of the LGEs was that Malawi could not afford to hold them because it was grappling with a severe hunger crisis that hit the country during the 2005/06 growing season. It therefore made sense to devote public resources to welfare efforts rather than holding LGEs (Chiweza 2005; Chinsinga 2010a). The LGEs could, however, not be held even when the food security situation had changed for the better following the successful implementation of the Farm Input Subsidy Programme (FISP). This enabled the country to register maize surplus for several consecutive years until the 2011/12 growing season, when the programme's success began to unravel due to a combination of erratic climatic patterns and bureaucratic mismanagement, corruption and fraud (Chirwa and Dorward 2010; Chinsinga 2012).

Some scholars had speculated that the Bingu wa Mutharika regime was reluctant to hold LGEs for strategic political reasons. Since he formed his political party during the post-election period, these scholars argued that holding LGEs when the DPP did not have grassroots structures would have meant ceding substantial political power to the opposition political parties. As a new political party, DPP would not effectively compete for political power at this level. The local governments would be dominated by the opposition political parties which would, in turn, magnify the minority status of the government (Chiweza 2010; Chinsinga 2012). The position of President Mutharika did not change even after the DPP and he himself registered landslide victories in the May 2009 elections. It became apparent that the President's position on local governments was ideologically driven and not merely a strategic political manoeuvre. He openly pronounced his dislike for local

governments, arguing that his government was able to register tangible development working with and through chiefs and not local governments. He dismissed local governments as being largely a fiscal drain rather than a proven instrument for development, governance and poverty reduction at the grassroots level (Chiweza 2010; Chinsinga 2010b).

The amendments that were introduced to the 1998 Local Government Act (LGA) and the Electoral Commission Act (ECA) 1993 were reflective of the President's deep-seated ideological dislike of local governments. The initial framing in the ECA was that LGEs must be held a year after general elections but was amended to say 'LGEs shall take place after five years on a date to be determined by the President in consultation with the Electoral Commission (EC)' (Chinsinga 2010b: 6). This made it extremely difficult for the LGEs to be held as they could only be held at the pleasure of the President. Read together, the amendments that were made to the LGA essentially depoliticised local governments. This made them function less as catalysts for democracy, development and poverty reduction than handmaidens for implementing a centrally determined agenda at the local levels. To illustrate, one of the amendments changed the designation of local governments from assemblies to councils, which essentially undermines the deliberative character of a democratic local government system. In introducing the amendment Bill to Parliament, the Minister of Local Government and Rural Development observed that the term 'assembly' 'attaches a tinge of sovereignty to local Assemblies'. This amendment stripped the local governments of their deliberative character that imbues them with the mandate to engage with central government policies, directions and pronouncements in a manner that ensures that the final outcomes are in the best interest of their constituents (Chiweza 2010; Chinsinga 2010b). CSOs and other stakeholders have lobbied for the restoration of the LGA to its original form, but these efforts appear to have hit a dead end. Political power and decision making processes remain highly centralised even though the Constitution provides for a devolved and not deconcentrated form of local government.

### **2.3 Local governments and the agricultural sector**

The apparent failure to institutionalise local government has not greatly affected the implementation of the agricultural commercialisation agenda. Neither is this failure driven by any agricultural considerations or indeed land issues, which lie at the heart of the country's agricultural political economy. There is no doubt that successful institutionalisation of effective local

governments right at the conclusion of the transition from the one-party dictatorship to a democratic political dispensation would have created a propitious milieu for the development of the agricultural sector through the sub-committee of the local councils that handle agricultural issues. However, studies have shown that agriculture is not an issue that has huge traction in local politics over and above issues related to the FISP (Kaarhus and Nyirenda 2006). At this level, politicians often tussle and haggle over resources channelled to the development of physical infrastructure. They are very much interested in physical infrastructure, which they can easily flag out as showcasing their success, which they can then use to build a strong case for re-election. Intangible projects such as those falling in the agricultural domain do not often fly because they are seen as too abstract to appeal to the voters. The main losers in this political economy set-up are the local people. They end up getting projects that are not only unsustainable but also not transformative because they are not designed to create enabling environments in which people can fully exploit their potential if they apply themselves. Most of the infrastructure is often sub-standard and located in areas that are not strategic enough, especially from the standpoint of communities, and not durable since the driving motive is to churn political capital out of them.

Viable local governments would have perhaps been quite critical in addressing land issues in some districts, particularly the tea and coffee growing districts of Thyolo and Mulanje. These districts have been flashpoints for the land question, which in many ways prompted the Government of Malawi, with support from development partners (especially the World Bank), to prioritise land reforms through the Community Based Rural Land Development Project (CBRLDP) in the mid-2000s (Kanyongolo 2005). These districts experienced serious encroachments of tea, coffee and macadamia estates owned exclusively by Malawians of foreign origin due to mounting land pressure and scarcity among ordinary people in these districts. Through the CBRLDP, volunteering landless people of Thyolo and Mulanje were resettled in Mangochi and Machinga on abandoned estates on a willing buyer-willing seller basis (Chirwa 2008). The majority of the beneficiaries of this initiative were notable local political elites with connections to leading national-level politicians from these areas. The initiative failed to ease pressure on land because the beneficiaries were supposed to give up land in Thyolo and Mulanje but this did not happen. They ended up clinging to their pieces of land with the backing of the local political and traditional structures. The failure to settle the land question in these districts has led to the rise of the People's Land Organization

(PLO), led by a former civil servant who is a trained agriculturalist. The PLO, with registered membership of 3,000 people, is pushing for the redistribution of land occupied by foreign investors and Malawians of foreign origin because the land belongs to Malawians, their ancestors. In a letter to the UN Secretary-General dated 14 July 2015, the PLO made three demands: 1) colonial estate owners pay the real owners of the land a fee for using their land from 1914 to the present at the rate of GBP 65 per acre; 2) pay the owners of the land a wage rate of GBP 6.13 per individual that was involved in the Thangata system (forced labour) from 1914 to 1963; and 3) further expansion of colonial estate infrastructure into 25,000 hectares of land must be discontinued. The crisis reached its peak in 2016 when the PLO leader led a rebellion to snatch Comforzi estate in Thyolo district, leading to his arrest and conviction. The emphasis in this struggle is the land that is not being used, which should 'be retained by the rightful owners, the people of Thyolo and Mulanje' (PLO 2015).

These developments unfolded parallel to the land reform efforts, which culminated in an ensemble of pieces of legislation in 2016. The major observation about these pieces of legislation is that they shun a mention of land restitution as an element of the land reform efforts (Kanyongolo 2005). This creates some disjuncture between the understandings of communities, especially those in heavily land-constrained districts, and the officials. Communities generally understand land reform to involve (to the extent practicable) some restitution, but public officials, greatly influenced by development partners, conveniently filter out any semblance of restitution that does not dovetail with the willing buyer-willing seller philosophy. The view of most government officials is that land restitution, especially in Thyolo and Mulanje, would greatly destabilise the country's economy because tea and coffee contribute a substantial proportion to the country's gross domestic product (GDP). This is a key concern, especially following the collapse of the tobacco industry, which is the country's principal foreign exchange earner. There is a deliberate attempt on the part of the political elite to search for alternative sources of foreign exchange to fund their patterns of conspicuous consumption, hence any attempt to destabilise the tea and coffee industry is bound to be ignored (Chinsinga 2017). The tea and coffee industry also plays a key role in the mobilisation of tax resources, which are critical to keeping the political elites buoyant.

The demands of the PLO are effectively dismissed as the demands of an insane Vincent Wandale, reflected in the following sentiments of a government spokesperson: 'we cannot spend our precious reasoning with an

insane man; we have so many development priorities to attend to as a government'. The major driver of the politics of local governance is the power dynamics that developed following the heavy fragmentation of the polity along regional lines. Political parties often draw disproportionate support from their regional heartlands. As such, there are always fears that implementation of decentralisation policy reforms in the classical sense would greatly magnify the minority status of the government in power. Since 'bringing development to the people' is a major campaign platform, an effectively functioning local government system would greatly raise the profile of the political parties controlling local governments and not necessarily the central government.

## **2.4 Configuration and re-configuration of elites**

The transition to democracy in May 1994 was associated with a dramatic change in the configuration of the political elites. While the one-party political elites were predominantly agricultural-oriented, the political elites that took over in May 1994 were primarily interested in business as their primary source of accumulation (Chinsinga 2002; Lwanda 2006; Cammack 2010). During the one-party regime, estate agriculture was the overarching source of rents and political patronage. This does not mean that these elites did not have interests in other areas. Van Donge (2002) documented how the agricultural sector, through a system of interlocking institutional arrangements between agriculture, banking and industry, was a platform for elites to diversify to other sectors of the economy such as banks, insurance, wholesale and retail, bakeries, distribution and segments of the sugar value chain. This was, for example, demonstrated through the Press Corporation, initially owned by Dr Kamuzu Banda but now turned into a public trust. Van Donge (2002) described Press Corporation as an African chaebol, drawing parallels with the configurations that powered the South Korean miracle. With diversified business interests, Press Corporation was, unlike many African companies, profitable and viable as a commercial entity. Almost all the political elites had estates whose produce had preferential access to international markets. Through a strategically designed institutional framework, the political elites had easy access to land for estate farming led by President Dr Banda, who christened himself as farmer number one (N'gon'gola 1982; Chinsinga 2002).

This system of rent extraction and patronage flourished with a systematically cultivated coalition of elites involving politicians, security officials (military, police and Malawi Young Pioneers (MYP) officials from a

paramilitary wing of MCP), chiefs and high-ranking civil servants, and parastatal employees. Access to estate agriculture provided a legitimate means of accumulation among the elites supported by a carefully worked out policy milieu. For instance, while those engaged in estate farming were at liberty to cultivate a variety of crops without limit, those within the smallholder sector were legally prohibited from producing such cash crops as burley tobacco, tea and sugar through the 1972 Special Crops Act. This was further facilitated by easy land acquisition from the customary sector for creation of new estates. The 1967 Land Act facilitated the creation of a land market that allowed for only one-way transferability of land from the customary to the estate sector, usually with token compensation.

The post one-party political elite led by Bakili Muluzi, who was once the Secretary-General of the MCP, prioritised commerce and industry supported by the state as a principal means of accumulation (Lwanda 2006; Booth et al. 2006; Cammack 2010). During his fall from grace with Dr Banda, Muluzi was one of the major figures in the Chamber of Commerce, with an extensive network of connections to the business world within and beyond the borders. Muluzi had, inter alia, secured a grip on the sugar industry, building up a strategic network exploiting his influential position as MCP Secretary-General. According to Kwengwere (2011), Muluzi initially developed a patronage network among those who had been excluded from Dr Banda's patronage but soon extended to all sorts of elites for purposes of maintaining the UDF and himself in power.

At the micro level, the force and influence of commerce in Muluzi's economic policy were borne out by the dramatic upsurge of small-to-medium scale credit initiatives, touted as a means of fostering financial autonomy and hence poverty alleviation. As a result, enormous financial resources were channelled to the grassroots through the National Association of Business Women (NABW), Development of Malawi Traders Trust (DEMATT), Small Enterprise Development of Malawi (SEDOM), Women World Banking (WWB), the Promotion of Micro Enterprises for Rural Women (PMERW), Malawi Union of Savings and Credit Cooperatives (MUSCCO), Small and Medium Enterprise Fund (SMEF), Malawi Mudzi Fund (MMF) and the Youth Credit Scheme (YCM) (Chinsinga 2002; Booth et al. 2006). The apparent orientation of the regime was particularly reinforced by the prevailing donor policies, especially the World Bank and IMF, who felt that investment in small-to-medium enterprises would provide reliable levers to get people out of poverty. Besides there being a coincidence between Muluzi's own world view and the donors' idea of poverty reduction, he opportunistically exploited

it to build a patronage network that propped up and maintained the UDF in power.

However, the change in the orientation of political patronage and rent extraction is perhaps best epitomised by President Muluzi's exploitation of the sugar industry and the changes made to the tobacco production and marketing institutional framework, which was the linchpin of Dr Banda's patronage framework. As founding President of democratic Malawi, Muluzi asserted himself as the dominant sugar distributor, controlling as much as 60 percent of the country's sugar distribution trade, becoming a chief patron in the multi-party political dispensation. Through his sugar distribution business, Muluzi was able to neutralise seemingly progressive politicians who genuinely wanted to implement a viable plural political dispensation by using sugar quotas to recruit politicians from within the UDF and other political parties (Lwanda 2006; Chinsinga 2016). Subsequently, not very well thought-out reforms were implemented to the production and marketing institutional framework for burley tobacco, which steadily undermined the accumulation efforts associated with Dr Banda's regime. Some of these reforms included the liberalisation of the marketing of burley tobacco, which allowed non-certified producers or 'middlemen' direct access to the auction floors. While liberalisation allowed the elites associated with the Muluzi regime to market burley tobacco without growing it, it grossly undermined the returns to growers within a very short period of time. Most of the tobacco that flooded the market was of low quality, ending years of predictably decent returns to the tobacco farmers (Booth et al. 2006; Chirwa and Matita 2012).

The business orientation of the post one-party political elites was further bolstered by the swift implementation of structural adjustment programmes (SAPs) and the prominence of aid flows. Through SAPs, particularly privatisation, the political elites found a new avenue for rent and patronage (Chirwa 1997; Chilowa 1998). The political elites divested to themselves most of the previously state-owned enterprises that had been recommended for privatisation. An audit of the privatisation programme revealed that the majority of the enterprises had been shed off to politicians (Kwengwere 2011). There are several examples in which public enterprises have been divested either to politicians or individuals with very close political connections. Enterprises like Cold Storage, Government Hotel, and Old Parliament Bar were sold off to politicians or individuals with close political connections. A recent example is the Malawi Savings Bank, which was sold off to a local banker who is very well-connected politically. This bank was valued at MK78 billion but was offered to the local banker at MK4 billion, despite civil

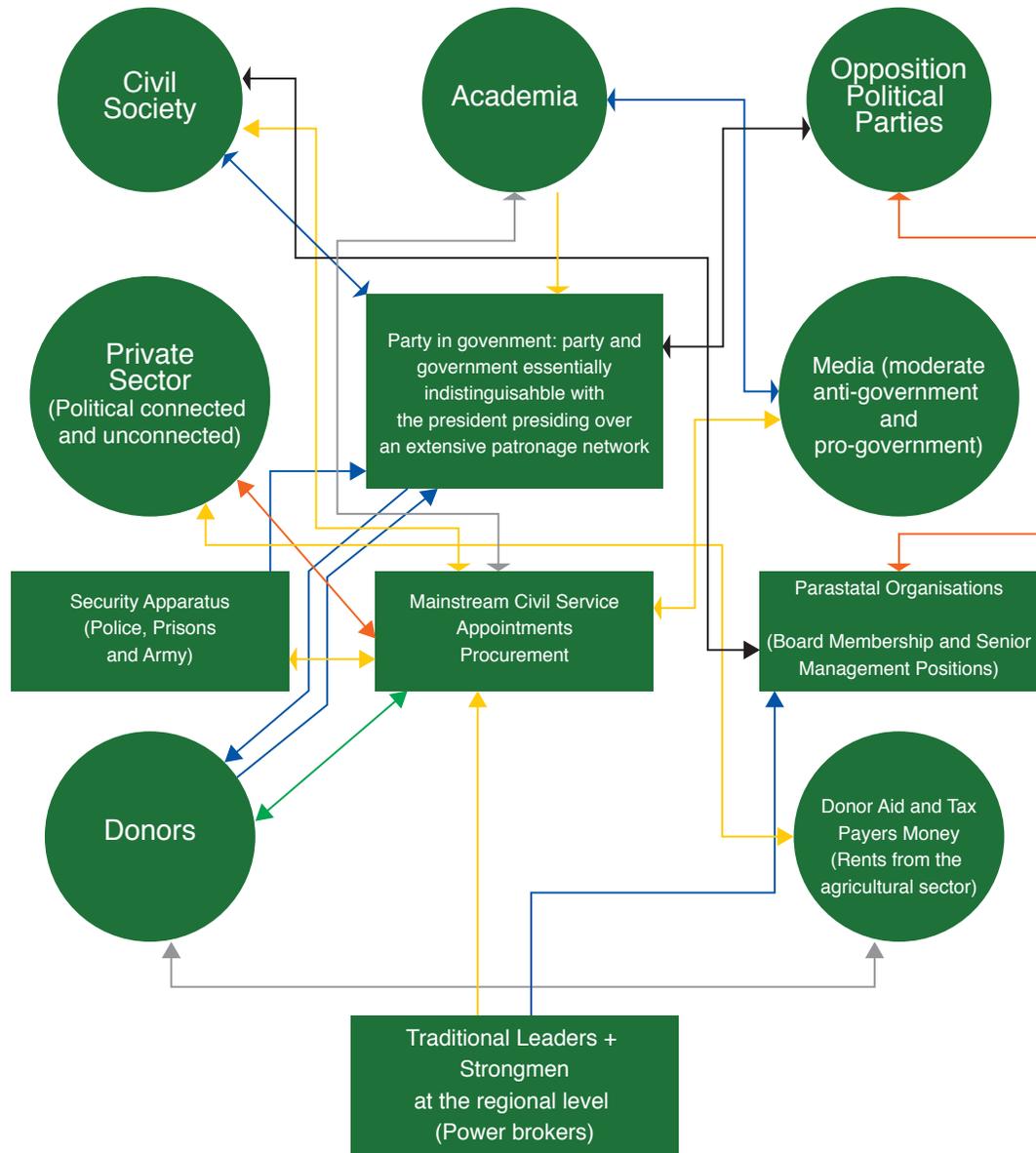
society resistance. The government's determination to dispose of the bank despite fierce public resistance was meant to settle some outstanding political debts. Existing statistics indicate that out of the first wave of 38 transactions, about 50 percent involved Malawians (mostly politicians and politically connected individuals) as owners, concession holders, or shareholders, while 13 percent involved a mixture of Malawians and foreigners and 37 percent involved only foreigners (Chirwa 2000; Magalasi 2008). The transition to democracy opened the floodgates of aid that had been stopped to force the country's leadership to embrace democratic political reforms. The aid flows were captured in various ways by the political elite for personal selfish goals. It is therefore not surprising that aid flows have been suspended several times to help foster a sense of accountability and transparency among the political elite. The processes of privatisation and aid flows invariably turned the state into a leading vehicle for accumulation, either through its direct control or association with those who control it through contracts and deployment in strategic offices, as further elaborated in Figure 1 (Booth et al. 2006; Cammack 2010).

## **2.5 Dynamics of rents, political patronage and elite configuration**

There are several actors in the patronage network that has evolved since transition to democracy in May 1994. The principal feature of this network is the apparent decentralisation of the management of rents and the expansion of the beneficiaries who are basically in one way or another aligned to the party in power (Booth et al. 2006). The key actors that interact in the patronage network, which is highly dynamic, include: the governing party (with the President as the chief patron), opposition political parties, the private sector, academia, civil society, media, parastatal organisations, mainstream civil service, security apparatus (police, army and prison), traditional leaders, and civic strongmen (regional power brokers).

At the centre of this patronage network is the President of the party in power. A party comes to power usually on the basis of a coalition, which is either regionally or ethnically based, with some sporadic support across the country. These governments are constituted often with less than 50 percent of the electoral support, except for in 2009. They thus come to power with apparent lack of legitimacy, and patronage becomes the only way of consolidating their position and maintaining themselves in power. This becomes an attractive mechanism for propping up legitimacy and consolidating power because the state is the only avenue for accumulation.

Figure 1: Patronage flows and linkages



Source: Authors' own.

Accumulation through the private sector is almost impossible because while it exists, it is essentially owned by the state (Harrigan 2001). The private sector is not viable without business connections with the state; all lucrative contracts are dispensed by the state. A private sector entity that antagonises the state risks losing lucrative business opportunities, hence ultimately becomes bankrupt. The situation is worsened by the fact that the nation no longer has a viable productive sector. In addition to experiencing a great deal of deindustrialisation, the country's once productive sector has more or less collapsed. Due to a combination of several factors, the tobacco industry is not as viable as it used to be in generating rents for the

country. Aid has therefore become a default productive sector and this is particularly visible in the social sectors such as health, education and agriculture. Through the FISP, the agricultural sector provides the party in power with streams of rents that power and fuel the patronage machine and network.

There are three main tools that are at the disposal of the chief patron to exercise both social and political control over the key players and actors. The first tool is that of appointment to parastatal boards, mainstream civil service and foreign missions. The main targets are political party supporters and sympathisers, civil society activists, traditional leaders, influential opposition politicians and supporters, academics and

the security apparatus. The President has vast powers of appointment, which are often exercised in a manner that either rewards supporters or punishes critics. Most boards of parastatals, senior management positions in parastatals, civil service and security apparatus are staffed by either supporters or sympathisers of the governing party. Traditional leaders are specially targeted because they are believed to be particularly influential in their respective areas of jurisdiction. The feeling is that traditional leaders would help the party in government to mobilise votes, especially in areas where its support is anaemic. Since the dawn of the multi-party political dispensation there have been efforts to woo traditional leaders to support the party in power. Traditional leaders are expected to work with and support the government of the day. All traditional leaders are on government's payroll and their salaries are adjusted upwards regularly; some have had offices and houses built for them; they are subjected to promotions; and serve on boards of parastatals. The 2018/19 budget provides for a substantial increase in the honorarium of chiefs, obviously because there are general elections the following year. Several media professionals have ended up taking up public relations positions in government departments, ministries or parastatal organisations often not on merit but rather as a reward for their political allegiance. It has therefore become a strategic habit for actors in these sectors to position themselves for appointments, especially in the lead-up to elections. Getting government jobs or being closely connected to politicians has become the surest avenue to rapid wealth accumulation.

Close political allies are deployed to strategic government departments, ministries and parastatals to enable the political establishment to siphon resources for purposes of propping up the political parties in power. This, to a very great extent, explains why political parties are richer when they are in power and become almost bankrupt after a few years once out of power. There are specific parastatals that are specially targeted for the deployment of political cadres whose mandate is to siphon resources for building up the party. These are, inter alia, the Malawi Energy Regulatory Authority (MERA), Electricity Supply Commission of Malawi (ESCOM), Malawi Communications Regulatory Authority (MACRA), the water boards (Lilongwe Water Board, Blantyre Water Board, Northern Region Water Board and Central Region Water Board), and the Malawi Revenue Authority (MRA). Various government bodies have been forced to make contributions to the governing party's fundraising events yet they are performing badly in their service delivery efforts. This practice has been challenged by local CSOs through courts of law, but not much has been achieved; impunity on the part of the parties in power continues.

Business opportunities are only availed to politically connected individuals and enterprises. There have been several reports about abuses of procurement processes that are specifically tailored to reward or woo political opponents, or indeed settle political debts. The Office of the Director of Public Procurement), which is at the centre of government business, has been greatly compromised. Several questionable decisions departing from the prescribed guidelines and standards are made, often at the instigation of the higher powers. Reports of misprocurement abound, especially in government departments and parastatal organisations whose suppliers are often politically connected. Recent revelations indicate that ESCOM ended up procuring equipment worth billions of kwacha, which it does not need because the equipment is obsolete. The FISP has become the target of patronage, especially through procurement processes. Procurement contracts for inputs and transportation are often given to enterprises that are politically connected and not necessarily the ones offering competitive prices. These are often targeted at political supporters who bankrolled the political campaigns that ushered them into power. The FISP has thus been greatly exploited as a mechanism for settling political debts, which has in turn greatly compromised its overall efficiency and effectiveness (Chinsinga 2014).

The third and final instrument is essentially a political whip for those who get out of line with the party in power. Critical media voices are often silenced through government's withdrawal of advertising. This essentially strangles them since they survive through advertisements, and government is the biggest player in this regard. There have been several occasions when government has gone all out to ban advertisements in two of the leading daily papers, accusing them of being anti-government. This has not happened once; it is a tactic that the government resorts to when they feel that the media outlets are very critical, increasing its risk of being unseated. Critical stakeholders are also further subjected to the wrath of the MRA. While it may be true that the stakeholders have some legitimate tax arrears, the coincidence of the timing of the enforcement raises eyebrows. The enforcement takes place almost immediately following incidents or episodes in which the stakeholders have raised critical voices about certain aspects of the government's performance. The Times Group, one of the leading media outlets, is often subjected to MRA raids when it runs a series of news issues or programmes that are critical of the government. The Anti-Corruption Bureau (ACB) is generally unleashed on critical voices outside the government. Charges of commissions or omissions for people while in government are often brought up when they are out of government and they

are perceived to mount incessant challenges to the government. Such cases are too numerous to mention, and this selective approach to dealing with corruption has greatly undermined the integrity of the ACB (Dulani and Chunga 2015).

There has been a significant structural change in the elite configuration in the post one-party elite which makes it imperative to speak about political elites and not simply the political elite. This is the case because the attempts by the post one-party political elite to build their own solid political bases have resulted in widening the circle of elites with considerable power and capacity to influence political processes, including the ultimate outcomes. While distinctive elite groups can be distinguished, they do overlap a great deal. These include: top politicians (comprising the governing coalition at any particular point in time and opposition challengers); business persons with vested interests in agricultural and non-agricultural spheres; the bureaucrats from both mainstream civil service and the parastatal sector; security officials from both the Malawi Police Service (MPS) and Malawi Defence Force (MDF); regional leaders often associated with political parties or ethnic groups who may or may not project power at the regional level; and chiefs, particularly traditional authorities or paramount chiefs. The proliferation and diffusion of political elites has had significant implications in terms of how the state is used as an instrument of patronage and accumulation in Malawi.

## **2.6 Corruption, and NGOs as alternative channels of service delivery**

The use of the state as the primary vehicle for accumulation continues unabated, even though in the early years of the Bingu wa Mutharika regime there appeared to be a shift toward commitment to long-term fundamental structural transformation and development. There are actually striking continuities between and across regimes in the manner in which the state is exploited as a vessel for rapid accumulation (Kwengwere 2011; Chinsinga 2016). Since the transition, government has become the major source of rent and patronage; hence it is not surprising that corruption, fraud and embezzlement are rampant, culminating in the proverbial 2013 'cashgate' described as the systematic plunder of public resources where politicians and businessmen connived with civil servants to skim millions of kwacha in payment for ghost goods and services. Through cashgate, the government lost MK 20 billion between March and September 2013. The analysis showed that payments outside the central payment system amounted to MK12 billion; payments not supported with liquidation documents amounted

to MK 3 billion; payments to banks without details of beneficiaries amounted to MK 2 billion; payment for procurement without the internal procurement committee's authority amounted to MK6 billion; and payments of fuel without evidence of delivery amounted to MK 753 million (Chinsinga 2015a).

Cashgate has had disastrous consequences for the welfare of Malawians, especially the poorest who rely on government for basic social services such as health and education (Raviv and Matonga 2018). This was inevitable because the discovery of cashgate led to several donors cancelling budget support to the Malawi government to the tune of \$150 million. The UK alone withheld about £17 million that was set aside to support health and education programmes. In justifying the withdrawal of the budget support, one of the diplomats argued that 'no one would want to put money into a bucket that has holes and is still leaking'. The situation for the ordinary Malawian worsened further because the withdrawal of budget support coincided with severe flooding experienced in 2015 that displaced more than 350,000 people and destroyed crops, roads, health clinics and houses, resulting in a food shortage that affected 6.5 million people. The government was unable to effectively respond to this crisis because cashgate triggered a serious public financial management challenge. The only option the government had was to borrow locally to meet its basic operations so as to keep to the government machinery up and running, but this fuelled inflation, which greatly undermined the welfare of poor Malawians. About half of Malawians earn their livelihoods below the poverty line (Holmes et al. 2017). These people have been great losers from the cashgate scandal. The main concern is that corruption is generally regressive, since poor people are made to regularly pay bribes for services that should be free. Quoting one of the renowned bloggers on corruption, Raviv and Matonga (2018) observe that when government money is stolen, it means that money is not available to spend on any number of public services or other things that are really important to alleviating poverty and promoting development.

In the wake of the cashgate scandal, donors turned to non-governmental organisations (NGOs) and CSOs as an alternative channel for disbursing aid to the ordinary people in the country. There is, however, no credible basis for this choice because the concerns for abuse or, indeed, lack of accountability for donor resources are just as widespread in the NGO and CSO sector as is the case with the public sector. There have been several cases of abuse reported in the media and one of the recent stories is about the failure of NGOs and CSOs to account for funding that they accessed to mount civic education for the May 2014 elections. It is alleged that

about 75 percent of the NGOs and CSOs have failed to reconcile their accounts to date. Critics therefore argue that these revelations vindicate the long-held concern that many of the vocal NGOs and CSOs are simply a conduit for siphoning donor money in the name of the people while enriching themselves. These concerns are, to a very great extent, corroborated by a recent donor assessment, which observes that most local NGOs and CSOs lack legitimacy as they have failed to effectively develop strong constituencies of citizens. They are characterised by weak institutional capacity; weak linkages to reliable and credible programming; weak financial management systems; and suffer from 'founder syndrome', in which the founder makes all organisational decisions without effective supervision from their board, and their boards are comprised of the founder's friends and associates (European Union 2014). This suggests switching to, and channelling assistance through, NGOs and CSOs may not be an effective solution to the challenges of lack of accountability, theft and abuse of resources that were intended to alleviate the plight and poverty of the bulk of Malawians.

## **2.7 Continuities and discontinuities in the patterns of patronage**

There have, however, been some noticeable changes between and across regimes in terms of how the state is used as an instrument of patronage and accumulation. In Dr Banda's Malawi, state regulations were used to prioritise monopoly enterprises owned by the leadership, the party and their close associates. Patronage was dispensed through these enterprises, which also mediated capital accumulation (Mhone 1992; van Donge 1995). The dispensation and accumulation of rents was highly centralised, underpinned by considerable discipline over formal state expenditure and activities, hence projecting some modicum of growth and prosperity. Under Muluzi, connections to the state became extremely important for business advancement and accumulation. Rent dispensation and accumulation were mediated through accessing government contracts (procurement) and ownership of previously state-owned enterprises through shady privatisation deals. The advent of the multi-party regime under Muluzi led to the decentralisation of management and access of rents as a direct consequence of the ending of the very tight control under Dr Banda.

This was, and still is, lauded by many as one of the major benefits to the transition to a multi-party democracy but at the same time frowned upon as having precipitated and entrenched the culture of corruption that eventually culminated in cashgate. According to Lwanda (2006), systematic channels were worked out to facilitate the siphoning of massive resources through truncated

procurement exercises. The regimes of Bingu wa Mutharika, Joyce Banda and Peter Mutharika have continued to use the state as a primary instrument of patronage and accumulation simply through siphoning of public resources into private accounts through the cashgate scheme (as outlined above) and strategic deployment of party cadres in public sector organisations that are widely known as political cash cows such as ESCOM, MACRA and MERA. Although cashgate broke into the public domain under Joyce Banda's presidency, the underlying argument is that the genesis of this practice can be traced back to the first term of office of President Bingu wa Mutharika. The exposure of the cashgate scandal has done very little to undercut it as a dominant mode of patronage and accumulation among the political elites (Chinsinga 2015a).

These experiences demonstrate that the state is captured by patronage networks. The main consequence of state capture is that the formulation and implementation of policies is often driven by patronage considerations instead of the other way round (Booth et al. 2006; Kwengwere 2011). Policies are often implemented not because they are poised to make a difference in the livelihoods of Malawians but because they will facilitate extraction of rents and direct benefits for the political elite. According to Booth et al. (2006), the distribution of spoils of office takes precedence over the formal functions of the state. This severely limits the ability of public officers to make policies primarily in the general interest. There is, therefore, systematic failure to distinguish between private sector resources, state resources and resources of the ruling party. The state remains the principal source of political patronage since there are relatively few avenues outside politics to obtain access to real power and wealth. The intensity of patronage, coupled with the failure to develop a strategic blueprint for development, has transformed Malawi essentially into a country without a productive sector. An alternative sector is yet to be identified to replace the tobacco industry, which has collapsed due to selfish-driven reforms. Aid has essentially become the country's de facto productive sector and hence an arena for free-for-all patronage. This has translated into stagnant and often anaemic economic growth and development.

The situation is worsened by the dominance of donors in the policy making processes. Even though the situation somewhat changed with the introduction of the Malawi Growth and Development Strategy (MGDS) as an overarching planning framework, the country has only limited capacity to drive its own development agenda. Malawi is one of the hugely aid-dependent countries, with aid comprising as much as 40 percent

of the total budget. Although it is claimed that the various development initiatives are subordinated to the MGDS, Malawi continues to experience the proliferation of donor-driven development interventions that are often in conflict with each other as well as in conflict with the overall development vision espoused in the MGDS. A notable feature of the Malawi situation is the multiplication of policy documents and absence of real implementable policies beyond the very short term (Chirwa and Zakeyo 2006; Booth et al. 2006). This is often the case because donors have responded to the state's weak incentive to make policy by increasingly stepping into the government's shoes, substituting it in the policy function.

The democratisation process has not fundamentally changed the underlying logic of patronage as the basis for acquiring and maintaining power. It remains steeped in patronage as the basis for acquiring and maintaining power. Even though there has been some reorientation of the underlying incentives, motivations and interests away from agriculture to commerce, broadly defined, the agricultural sector remains front and centre as the primary platform for state capture. The underlying dynamics have, however, changed, in a way that mirrors the broader changes in the management and dispensation of rents from the agricultural sector to targeted beneficiaries. The major distinguishing factor, as intimated above, is that during the one-party state the leadership used state regulations to convey advantage and permit accumulation, while in the multi-party dispensation, the drive is to channel resources directly to the beneficiaries without engaging in any meaningful production. Thus although the President remains immensely powerful, the leadership needs the support of a wider group of people than was the case during the one-party era, making management of rent less centralised and resulting in rampant cases or incidents of fraud and corruption. The agricultural sector is not only the backbone of the country's economy but also an essential part of the social fabric (Chirwa and Zakeyo 2006; Chirwa and Matita 2012). There has been a progressive increase in the financial allocation to the agricultural sector since the 2005/06 growing season following the implementation of the FISP, which is in tune with the Comprehensive Africa Agriculture Development Programme (CAADP) of allocating at least 10 percent of the annual budget to the agricultural sector in order to achieve the minimum annual growth rate of 6 percent so as to positively impact poverty reduction efforts (see Table 1).

The FISP has been at the centre of rent-seeking and patronage activities. While the programme has been quite critical in dealing with the endemic food security crisis in Malawi, it has also been exploited for selfish

personal and political gains (Chinsinga 2012; 2014). This has been manifested through the award of contracts in the procurement of inputs as well as the transportation of those inputs. Competitive bidders are often sidelined for pricy ones who are often very well-connected politically. The FISP thus provides an illustration of how state-sponsored interventions are designed for either personal enrichment or for paying off political debts. Donor politics, coupled with their limited understanding of their operative context, has allowed the political elites to play one donor against another or, indeed, to exercise pretence in committing to certain deliverables which they know will not be met – all in pursuit of their personal interests (Booth et al. 2006). The political elites have therefore exploited donor approaches that are often characterised by short-termism, competitiveness, and personality politics. The opening up of the political space to CSOs has not greatly altered the key underlying features of the country's political settlement. CSOs that are determined to engage the government in constructive policy dialogue and debate are frustrated by the enduring culture of bureaucratic secrecy. This is further exacerbated by the fact that the government has developed the reputation of dealing almost exclusively with friendly, predictable civil society groups (Jenkins and Tsoka 2003; Booth et al. 2006; Kwengwere 2011).

## **2.8 Agricultural commercialisation in perspective**

Existing policy documents do not offer any coherent definition of agricultural commercialisation in the Malawi context. These documents emphasise mostly strategies that could be employed to enhance and entrench farmers' orientation toward commercialisation. The civil society agriculture network (CISANET) (2014) stated that commercialisation occurs when a farmer consistently produces more than they require for home consumption and therefore sells in order to make income for other livelihood needs. This implies a transition to increasingly market-oriented patterns of production and input use (Omiti et al. 2006). Bouis and Haddad (1990) described commercialisation as the percentage value of marketed output to total farm production. This results from farmers intensifying their use of productivity-enhancing technologies, achieving greater output per unit of land expended, producing greater farm surpluses, expanding their participation in markets, and ultimately raising their living standards (Jayne et al. 2011).

There is, however, a very important caveat to the processes of agricultural commercialisation. Credible agricultural commercialisation happens when farmers are pulled off the farm into viable non-farm activities and not pushed off the farm into low-paying desperation

**Table 1: The performance of the agricultural sector between 1994/95 and 2015/16**

Financial year	Government budget ('000,000 MK)	Budget allocated for agriculture ('000,000 MK)	Agriculture budgetary allocation (%)
1994/95	2,045	90	4.4
1995/96	5,446	162	2.97
1996/97	6,797	389	5.7
1997/98	12,524	590	4.7
1998/99	16,685	1,818	10.9
1999/2000	23,042	1,495	6.5
2000/01	32,825	1,675	5.1
2001/02	40,912	2,542	6.2
2002/03	45,263	2,526	5.6
2003/04	58,081	2,588	4.5
2004/05	89,888	7,027	7.8
2005/06	119,499	15,171	12.7
2006/07	139,896	18,537	13.3
2007/08	172,839	20,970	12.1
2008/09	229,524	30,803	13.4
2009/10	256,769	32,127	12.5
2010/11	297,084	33,537	11.3
2011/12	303,714	37,715	12.4
2012/13	408,390	65,021	15.9
2013/14	638,151	118,674	18.6
2014/15	748,129	140,665	18.8
2015/16	901,594	133,687	14.8

Source: Kamangira, et al. (2016)

jobs in towns due to the inability of local agriculture to provide a reasonable standard of living (Jayne et al. 2011). Sustainable agricultural commercialisation is dependent on investments in the modernisation of agriculture, which, inter alia, involves intensification of production processes, the introduction of new technologies and mechanisation. These processes, in turn, lead to systematic substitution of non-traded inputs with purchased inputs, gradual decline of integrated farming systems and emergence of specialised farm enterprises. Overall, therefore, agricultural commercialisation involves a transformation from self-sufficiency towards income and profit-oriented goals (Omiti et al. 2006; CISANET 2014).

Several studies show that smallholder farmers are not often beneficiaries of concerted agricultural commercialisation efforts. The underlying argument is that smallholder farmers benefit from agricultural commercialisation efforts only when market access is guaranteed to them. Peters (1999), for instance, found that while the process of agricultural commercialisation

had led to a general increase in per capita household income in rural Malawi, the greatest benefits went to better-off households. The evidence shows that the benefits of agricultural commercialisation are often captured by middlemen, especially brokers. These challenges notwithstanding, Omiti et al. (2006) argued that agricultural commercialisation leads to gradual decline in real food prices due to increased competition and lower costs in food marketing and processes. According to Jayne et al. (1995), low food prices increase the purchasing power of consumers and enable producers to reallocate their limited household incomes to high value non-food agribusiness sectors and off-farm enterprises.

The net effect of agricultural commercialisation, therefore, is that it tends to improve food security and household disposable incomes, which is vital for sustained economic growth and development (Omiti et al. 1999; Jayne et al. 2011). In fact, it can be argued that the relationship is two-way. According to Wiggins (2017), a large majority of poor farmers can

only commercialise if the food prices are low and stable over a long period of time. This is why, for example, Chirwa and Dorward (2013) consistently argue that the FISP should be treated as a key building block for agricultural commercialisation and not simply as an end in itself. This is, however, greatly dependent on strategic state investments in essential public goods. The state has to invest in services, technologies and institutions that are known to promote broad-based inclusive farm productivity growth. These, *inter alia*, include crop breeding and agronomic research programmes, extension programmes to improve farmer husbandry practices and marketing skills, and physical infrastructure. The underlying argument is that state-led creation of an enabling environment to encourage private sector investment in various stages of commodity value chains is critical to enable smallholder farmers to commercialise and link into markets.

Agricultural commercialisation has the potential to facilitate poverty reduction on a massive scale if properly supported. The investments outlined above would play a critical role in sustaining agriculture's contribution to better, robust and vibrant livelihoods (Omiti et al. 2006; CISANET 2014). Agricultural commercialisation drives are often constrained by poor-quality and high-cost inputs, pest and diseases, lack of better production skills, poor pricing, high market charges, high transportation costs and unreliable market information. It is against this backdrop that Jayne et al. (2011: 3) assert that 'meaningful [agricultural] commercialization will start only when the political will is mobilized to adopt the policies and public investments which substantial evidence shows have the greatest chances of driving sustainable pro-poor agricultural growth'.

# 3. AGRICULTURAL COMMERCIALISATION: NARRATIVES, ACTORS AND INTERESTS

The critical question is: how has agricultural commercialisation evolved in Malawi over the past three or so decades? This section discusses Malawi's experiences with agricultural commercialisation, focusing on the narratives, the actors behind these narratives, and the underlying interests, motivations and incentives behind the narratives, including identifying winners and losers in the process as well as the implications for the overall commercialisation agenda. Three phases of agricultural commercialisation can be identified, as follows: (1) estate-smallholder agriculture phase (1964–1994); (2) failed smallholder commercialisation phase (1994–2009); and (3) rhetoric large-scale agricultural phase (2009 to date). These phases are, however, not mutually exclusive but distinguishable from each other through the import of politics in implementing a set of distinctive ideas about commercialisation. These phases strikingly demonstrate that politics matter more than the general ideas about how to bring about agricultural commercialisation. The ideas about how agricultural commercialisation can be attained often become part of the public discourse much earlier than when they are actually implemented (Hochschild 2006). Some strategic political considerations make it extremely difficult for policy makers to forge ahead with the implementation of certain ideas because they are deemed less politically expedient. Malawi's experiences to a very great extent demonstrate that political expediency often triumphs over a set of policy ideas designed to spur agricultural commercialisation on a substantial scale.

## 3.1 Estate-smallholder agriculture development phase (1964–1994)

### Prior to structural adjustment programmes (SAPs)

Malawi became independent as one of the poorest countries on the continent without a viable productive base to spearhead its socio-economic development aspirations as a sovereign state. The fight for independence had been justified, inter alia, as an opportunity for the country to shape and drive its own development agenda. The MCP formed the postcolonial government with an overwhelming mandate that made it imperative to search for strategies that could immediately thrust the country onto a viable trajectory

of rapid and sustainable transformation. Without any viable alternative to drive its development agenda, the political elite turned to agriculture (Chipeta 1993; Kishindo 1997; Kwengwere 2011). In fact, one of the key priorities of the independence struggle was to reform the colonial land tenure in order to create a milieu that would facilitate equitable agricultural development among Malawians. This did not, however, happen. Instead of addressing the inequities and injustices of the colonial era, the postcolonial land policies and practices anchored by the 1967 Land Act simply reinforced them (N'gon'gola 1982; Kanyongolo 2005).

The land reforms that were carried out reinforced and perfected the dualistic agricultural strategy that distinguished two sectors: the smallholder and estate sub-sectors differentiated by land tenure and regulations concerning production and marketing of different crops (Mkandawire 1999; Masanjala 2006; Chinsinga 2008). The reforms under the auspices of the 1967 Land Act aimed to make profound changes to the customary land sector in order to facilitate the modernisation of agriculture in the country. In fact, when introducing the bills in Parliament, President Banda argued that 'existing customs of holding land and tilling land were outdated, wasteful and totally unsuitable for the development of a country with agriculture as the basis of the economy' (N'gon'gola 1982: 115). The President emphasised that the main problem with customary land was the lack of clarity regarding ownership since 'no one is responsible for the uneconomic and wasteful use of land because no one holds land as an individual. Land is held in common... and everybody's baby is nobody's baby at all' (N'gon'gola 1982: 115).

The reforms introduced three categories of land ownership, namely: (1) private land, defined as all land that is owned, held or occupied under a freehold, leasehold or certificate of claim; (2) customary land, defined as all land that is occupied under customary law; and (3) public land, defined as land that is used or acquired by the government and any land that is not customary or private. According to Sahn and Arulpragasam (1991: 1), these categories of land introduced by the postcolonial land reforms 'did not represent real change in the previous [colonial]

categorization and these changes were just changes in name'. As a result of the 1967 reforms, customary land was broadly construed as a commodity to be governed by market forces, which encouraged entrepreneurs to acquire portions of land and convert it into their own private lands (Chirwa 1998; Kanyongolo 2005; Kwengwere 2011). While the land remained substantively customary, the 1967 land reforms made it very easy for the privileged and well-connected elites to acquire vast tracts of land from the customary sector, usually making very modest compensations to the previous owners of the land.

The new Malawi government began the task of building the country's infrastructure, which had been neglected by the colonial government, by formulating the 1962–1965 Development Plan, which prioritised the promotion of smallholder agricultural commercialisation as a strategy to generate income for the majority of the people by fully utilising the domestic market. This view was abandoned in the 1965–1969 Development Plan, which designated estate export-oriented agriculture as the surest strategy for achieving rapid and sustainable socio-economic transformation. The salience of estate export-oriented agricultural strategy was further reinforced in the 1971–1980 and 1986–1996 Statement of Development Policies. According to Kwengwere (2011), smallholder agricultural commercialisation was condemned as not being good enough to generate economic growth, provide for food security, and provide sufficient revenues for essential development investment. Consequently, Dr Banda turned to estate export-oriented agriculture, focusing on the cultivation of burley tobacco as a lasting panacea to Malawi's development predicament. The failure of smallholder agricultural commercialisation to drive the country's development processes was attributed to over-production of poor quality tobacco. In the words of Dr Banda, 'if smallholders could not produce to the required standards, then economic growth was to be generated by large-scale capitalist sector of agriculture' (Thomas 1975: 40). These sentiments were clearly stated in the 1971–1980 Statement of Development Policies, which observed that 'the choice of strategy which gives priority to raising agricultural activity is not dictated only by the present pattern of economic activities among the population but also by the nature and distribution of Malawi's economic resources' (Government of Malawi 1971: 1).

As an autocrat, President Dr Banda had substantial influence in shaping the country's development strategy and the utilisation of external assistance. He made no secret about his dominance in the policy processes during his public meeting speech on 11 March 1975:

I am the boss here. Why beat about the bush? I am responsible for this country, the welfare of ordinary people in the villages, men and women, boys and girls. Therefore, when the opinions of the officials on any subject conflict with my own opinions, my opinions should always prevail. Any official who does not like that can resign at any time. And that has been my policy all through. A leader... who depends on others, even his own officials or outside experts, is a prisoner. (Kayuni 2011)

Dr Banda's influence was further strengthened by the fact that he also doubled as Minister of Agriculture for most of his presidency (Lele 1990; Harrigan 2003; Kwengwere 2011).

The shift from the focus on smallholder commercialisation to export-oriented agriculture was justified on the basis of the inefficiency and ineffectiveness of smallholder farmers. Dr Banda argued that smallholder farmers could not make serious investment in commercial agriculture because of the dominance of the customary land ownership pattern. Furthermore, smallholder farmers lacked the expertise and skills to manage commercial agriculture on a scale to facilitate the country's socio-economic transformation.

Several international factors also played a critical role in further entrenching estate export-oriented agriculture. The Unilateral Declaration of Independence (UDI) by Zimbabwe precipitated trade sanctions against that country, which made international buyers push Malawi to increase its tobacco and sugar production to compensate for reduction in sales (Gulhati 1989; Lele 1990). Malawi's tobacco was further granted preferential access to the European Economic Community (EEC) following the 1973 Lomé Convention over US and South African tobacco through duty-free market status. This ultimately led to the acceleration of estate development at the expense of the customary sector, as shown in Table 2. Nothale (1979) described the estate sector as a leader of development in the agricultural sector. However, he argued that the growth experienced was not as high as projected because tobacco production was constrained, inter alia, by a shortage of experienced managers, which led to most of these estates averaging around 200 hectares to become insolvent despite favourable prices offered on the auction floors.

As a primary driver of the estate export-oriented agriculture billed as an engine of economic growth, Dr Banda owned several estates that specialised in growing tobacco. These estates were managed largely by expatriates drawn from South Africa (Lele

**Table 2: Land area and tenure of Malawi 1964–1978**

Year	Private land (mn ha)		Public land (mn ha)	Customary land (mn ha)	Total (mn ha)
	Freehold	Leasehold			
1964	0.2	0.1	1.1	8.0	9.4
1965	0.2	0.1	1.1	8.0	9.4
1966	0.2	0.1	1.2	7.9	9.4
1967	0.2	0.1	1.2	7.9	9.4
1968	0.2	0.1	1.3	7.8	9.4
1969	0.1	0.1	1.5	7.7	9.4
1970	0.1	0.1	1.5	7.7	9.4
1971	0.1	0.1	1.5	7.7	9.4
1972	0.1	0.1	1.6	7.6	9.4
1973	0.1	0.1	1.6	7.6	9.4
1974		0.2	1.6	7.6	9.4
1975		0.2	1.6	7.5	9.4
1976		0.2	1.7	7.5	9.4
1977		0.2	1.7	7.5	9.4
1978		0.2	1,7	7.5	9.4

Source: Nothale (1979).

1990; Harrigan 2003; Kwengwere 2011). He actually emphasised that it was the duty of politicians and top civil servants to follow him and set an example to the country's pioneering tobacco farmers. Policies were therefore developed to facilitate the rapid development of estate agriculture as an engine of economic growth and development. The 1967 land reforms played a critical role in facilitating the implementation of the estate export-oriented agricultural development strategy under the direct leadership of Dr Banda.

The disappointment with the performance of the smallholder sector as a potential driver of agricultural commercialisation that could deliver tangible development dividends greatly influenced the nature, form and shape of land reforms (Verkerk 2007; Kwengwere 2011). In addition to leaving the colonial tenure pattern of land ownership almost squarely intact, the 1967 Land Act introduced one-way transferability of land from the customary to the estate sector. This facilitated rapid expansion of the estate sector, which was dominated by Dr Banda himself and faithful elites drawn from the civil service, parastatal organisations, traditional leadership, military and police as well as officials from the MYP, MCP's paramilitary wing. It is, for instance, estimated that under the auspices of the 1967 Land Act, the number of estates increased from 1,200 in 1979 to 14,671 in 1989, covering 1 million hectares of fertile arable land even though with sub-optimal

productivity levels (Chirwa 1998; Stambuli 2002). The rapid expansion of the estate sector resulted in a massive loss of land among smallholders, which – coupled with rapid increases in population growth rates – culminated in the average land per capita holding sizes diminishing to as low as 0.33 ha (Chinsinga and Chasukwa 2015). The World Bank (2004) estimated that between 1.8 million and 2 million smallholder farmers cultivated on average 1 ha, compared with 30,000 estates which cultivated 1.1 million hectares, with an average of between 10 and 500 hectares.

The estate expansion project was further facilitated through the Agricultural Development and Marketing Corporation (ADMARC) formed in 1971. ADMARC replaced the Farmers Marketing Board (FMB) but essentially performed the same roles. The broad mandates for ADMARC were: (1) to provide adequate price stability; (2) to market, process and dispose of agricultural produce; and (3) to provide adequate storage facilities for food reserves (Chirwa 2006; Kwengwere 2011). ADMARC, used as an agent for the implementation of government agricultural pricing policies, only marketed smallholder agricultural produce, while estates had direct access to export markets. With an extensive market infrastructure across the country, ADMARC implemented pan-seasonal and pan-territorial prices for all smallholder farmers' produce marketed through it. Thus, while estate

output was marketed at the auction floors at farmgate export parity prices, smallholder output such as cotton and fire-cured tobacco was marketed through ADMARC at prices estimated at between one-third to one-half of what ADMARC earned at auction floors, accumulating massive profits in the process (Harrigan 2001; Masanjala 2006; Kwengwere 2011). Moreover, the preferential position of estates was further fortified through the enactment of the Special Crops Act, 1972. To reiterate, smallholder farmers were not allowed to engage in the cultivation of lucrative crops such as burley tobacco, sugar and tea; these were the preserve of the estate sector. The paradox, however, is that during this period, burley tobacco was almost exclusively cultivated by smallholder farmers through a very tight form of contract farming. Thus burley was produced by visiting tenants on estates which provided them with inputs, sometimes maize, and then bought the cured tobacco from the smallholders, recovering from the gross sale value the costs of inputs and food. The estates had very considerable power over their tenants as, by law, burley tobacco could only be produced on estates. The tenants were big losers because this arrangement concentrated rents from burley tobacco in the hands of a few elites, essentially holding back the expansion of production of a crop for which it was believed there was a ready world market.

The profits accumulated by ADMARC through excessive taxation of the smallholder farmers were used to facilitate the expansion of the estate sector through preferential loans extended to elites identified and recommended by Dr Banda and his closest allies (Harrigan 2003; Chirwa 2006; Chinsinga 2015b). Through carefully designed interlocking directorates of ADMARC, Press Corporation (owned by Dr Banda until 1994) and two commercial banks (National Bank of Malawi and Commercial Bank of Malawi, now Standard Bank), the profits from ADMARC were channelled through banks to the Press Corporation and favoured elites to accelerate the development of the estate sector. ADMARC held shares in the National and Commercial Banks of Malawi but, more critically, at least one-third of the board of directors sat on the boards of all these companies, which ensured systematically linked decision-making processes that benefited Dr Banda's companies and investments of his closest allies. Harrigan (2001), for instance, estimates that between 1971 and 1981, ADMARC extracted MK181.9 million from the smallholder sector, of which only 14 percent was used to cross-subsidise smallholder production and consumption; the remainder was used for investment and loans, only 4.3 percent of which was related to the development of smallholder agriculture. To reiterate, Dr Banda accelerated the development of

estate agriculture as a form of patronage, encouraging senior politicians, civil servants, traditional leaders and other formerly non-agrarian indigenous business people to purchase estates using preferential credit from ADMARC through commercial banks, with his backing. It is estimated that by the mid-1980s, ADMARC had diverted two-thirds of its income into estates (Verkerk 2007; Chinsinga 2008).

Dr Banda popularised the national food self-sufficiency philosophy alongside the implementation of the estate export-oriented development strategy. Through this philosophy, the smallholder sector was oriented toward subsistence production, accounting for 80 percent of food production and only 10 percent of exports mediated by ADMARC (Chirwa 2006; Masanjala 2006). In championing this philosophy, Dr Banda always emphasised that his top priority was to ensure that no Malawian ever went hungry.

A critical review of this philosophy, however, reveals that it was a double-edged sword. Verkerk (2007) argues that it had both pro- and anti-poor aspects, although the latter outweighed the former. The former was achieved through a credit initiative that provided smallholder farmers with useful agricultural inputs such as seed and fertiliser and extension services (Chirwa 2006; Kwengwere 2011). The latter entailed pan-seasonal and pan-territorial pricing policies implemented by ADMARC that paid smallholder farmers substantially less than the prevailing world market prices. The underlying argument was that by orienting the smallholder sector to subsistence, limiting the range of crops they could grow, and forcing them to market their produce only through ADMARC, the goal was to eliminate any form of competition against the estate sector. Lack of competition would enable the elite (politicians, senior civil servants, senior parastatal employees, military and police officials and chiefs) to reap substantial benefits from international trade for further reinvestment in the agricultural sector (Chinsinga 2008; Kwengwere 2011). The estate export-oriented agricultural development strategy was further supported by labour and education policies that were specifically tailored to facilitate the existence of a pool of cheap labour for its progressive development and guaranteed profitability. The major thrust of the labour policy was the inflexible and very low minimum wage, which could not be altered without prior consent of the government (Mhone 1992; Chinsinga 2007b). The minimum wages were structured in such a way as to 'discourage migration to urban areas and [hence] guarantee cheap labour supplies for commercial agriculture' (Mhone 1992: 16). Likewise, the education policy was designed to achieve the very same goal of guaranteeing a readily available

pool of cheap labour for estate agriculture. This was achieved through restrictive enrolments that ultimately created 'an economically and political docile workforce that would not place undue demands on the economy and on the polity' (Mhone 1992: 17).

The estate export-oriented agricultural strategy thrived on the narrative that smallholder agriculture was inefficient, producing low-quality produce which could not power Malawi's structural transformation. Estate agriculture was projected as efficient and amenable to production of quality produce that could compete favourably at the international export markets. The efficiency of estate agriculture depended primarily on its ability to raise investment resources as well as employ international management expertise to enhance standards to meet the requirements of export markets (Verkerk 2007; Kwengwere 2011). This narrative was propagated almost singlehandedly by Dr Banda, who was not only the President but also the Minister of Agriculture for much of his presidency. He shaped agricultural policy to serve his own interests and the elites that supported his policies in the agricultural sector and more generally.

There were indications that estate export-oriented development worked to facilitate fundamental structural transformation of the country's economy. It is estimated that between 1964 and 1979, the economy registered high growth rates and enjoyed relatively favourable balance of payment positions. Savings as a proportion of GDP rose from the modest level of 0.3 percent in 1964 to 19.7 percent in 1979; and industrial output expanded at the rate of 10 percent per annum. The average economic growth was estimated at 6 percent compared to only 2.9 percent population growth per annum. These impressive macroeconomic variables were attributed to, among other things, favourable world demand; favourable climatic conditions; rapid expansion of large-scale agriculture; high levels of gross domestic investment; and low and declining real wages and labour costs in the agricultural sector (Chirwa 1998; Chinsinga 2002).

Although this particular phase was dominated by the expansion of the estate sector, the smallholder was not ignored altogether. There were efforts to support the development of the smallholder agriculture sector to the extent that it is more appropriate to talk about Malawi pursuing a hybrid agricultural strategy focusing on estates and smallholders, and not exclusively the former, although this strategy was characterised by inherent internal contradictions. Just like many countries on the continent, Malawi promoted smallholder agriculture through the Integrated Rural Development Programme (IRDP), which rested on two central pillars:

maintaining food production and maximising foreign exchange earnings by expanding cash-crop production (Kinsey 1983; Green 2010). Broadly speaking, the IRDP advocated for the shift of emphasis to ways in which resources could be transferred to poorer groups in society, either by direct transfer or through targeted investments in agriculture, education and health that could increase the production and incomes of poorer regions. It generally encapsulated the notion that a package of reinforcing activities applied to a particular area was the key to improving the productivity of small farmers (Ruttan 1984; Cohen 1987). IRDPs are consequently characterised as the most comprehensive attempts in modern African history to influence rural communities and promote agricultural growth.

In the Malawi context, the National Rural Development Programme (NRDP), which spearheaded integrated rural development, was conceived as a multi-dimensional means of redressing the inequitable distribution of benefits resulting from the earlier agriculture-focused development policy (Kinsey 1974; Green 2010). Several initiatives were attempted under the NRDP. These included the Lilongwe Land Development Programme (LLDP), the Shire Valley Agricultural Development Project (SVADP), the Lakeshore Agricultural Development Project (LSADP) and the Karonga Agricultural Development Project (KADP). These were followed up by the development of smallholder settlement schemes across the country. The settlement schemes were designed by the government as a further strategy to promote agricultural productivity. Their objectives were: (1) reallocation and utilisation of underutilised land by systematically enlarging the area under cultivation, as well as increasing production and making better use of the country's natural resources; (2) settlement of underemployed rural people to provide them with a decent income and livelihood; (3) promotion of cash production for export purposes; and (4) settlement of Malawi Young Pioneers (MYPs) to provide them with opportunities for gainful employment (Nothale 1979). It is estimated that between 1964 and 1976, 32 settlement schemes were established, benefiting about 8,000 families, but they did not thrive for the following reasons: (1) some of the settlers were too young, especially the MYPs; (2) most of the settlers lacked farming experience; and (3) they were not aware of the difficult living and working conditions. More broadly speaking, however, the IRDP initiatives failed because they were overwhelmed by the weak management capacity of state institutions, including agencies set up to manage them. Moreover, these programmes became dependent on external experts from donor countries for their design, implementation and management (Ruttan 1984; Cohen 1987).

The LLDP deserves special mention because it encapsulated government's attempts to address the land question in favour of smallholder farmers even though it faced some conceptual and practical challenges that limited its success. Launched in 1968, it was designed to raise agricultural productivity by increasing the yields of major crops through the adoption of improved agricultural practices (Kinsey 1974; Nothale 1979). The driving motivation was that food production should be based on increased yields rather than an extension of land under cultivation in order to allow further expansion of cash crop production. The LLDP's overall vision was to transform Lilongwe into a model area of highly productive and commercially oriented small-scale farming. The area under the LLDP was divided into 40 administrative units of approximately 8,000 acres each and each unit had a service centre, which contained the headquarters of the unit extension and produce market. According to Kinsey (1983), LLDP components included: extension and training; seasonal and medium-term credit; planning and construction (including roads, water supplies and service centres); conservation; land demarcation and registration; beef, dairy and poultry production; a beef breeding ranch; survey programmes; health facilities; markets and inputs stores; and monitoring and evaluation. The underlying belief was that with support in the form of capital, technology and infrastructure, the area would experience a 'take-off' into sustained growth after the first five years (Kinsey 1983; Green 2010). Thus the integrated package of complementary activities and inputs would stimulate rural development on a broad front.

The LLDP attempted to modernise the land tenure systems under the auspices of the 1967 Registered Land Act. The overall objective in this regard was to ascertain and record individual rights in land throughout the programme area. The ultimate goal was to reorganise land tenure systems from usufruct to consolidated holdings under a registered deed of freehold title. This would, in turn, make land preservation and investment worthwhile to the individual. The tenure reforms were generally concerned with the introduction of a new system of individual ownership of land under a customary land right. The LLDP was designed to engineer the reorganisation of the landholding pattern of an area in such a way that each household ended up with one consolidated plot in equal size and quality to the total area of its former collection of pieces of fragments. Through the LLDP, 48,394 hectares were registered in 1973 and a further 27,653 hectares were demarcated for registration in 1974 (Nothale 1979; Kinsey 1983). The land demarcation and registration process involved: defining and establishing village boundaries;

defining and establishing land boundaries; establishing land rights belonging to families and individuals; and registering land and issuing land title certificates to individual family representatives. The successes of the land registration were limited by challenges relating to: the definition of the household; a failure to think through the implications for an area where traditional tenure was matrilineal, which has quite varied permutations; how to deal with returning labour migrants, a key part of the socio-economic setting; and the reduction of the power of headmen and chiefs. These challenges arose because it was not very clear in the implementation design what was meant by a family unit. It turned out to be more complicated than the assumption that a family unit would correspond to land traditionally controlled by Chewa mbumba (clan) led by a senior male member (Holden et al. 2006). So although there was much talk about estate agriculture, a disproportionate share of the government's resources and efforts were directed to the improvement of the smallholder farmers with the overall aim of maintaining food production apace with population growth.

### **Post-structural adjustment programmes (SAPs)**

A combination of several factors exposed serious internal structural rigidities and imbalances of the country's economy that necessitated fundamental reforms to kick-start the economy. These factors, exacerbated by the 1979 oil shock, included: the sharp decline in the terms of trade; the rise in interest rates on international financial markets; the closure of the Beira-Nacala trade corridor; the influx of refugees from Mozambique; and the declining levels of aid (Chinsinga 2002; Chirwa 2006). The structural rigidities and imbalances included the following: (1) slow growth of smallholder exports; (2) the narrowness of the export base and increased reliance on tobacco; (3) dependence on imported fuel and on declining stock of domestic fuel-wood; (4) the rapid deterioration of parastatal finances; and (5) inflexible systems of government-administered prices and wages. These factors, coupled with the policy prescriptions of the SAPs, greatly affected both estate and smallholder agriculture. The capability of the state to extend support to the smallholder sector was substantially undermined, with significant repercussions for the government's policy goal of ensuring food self-sufficiency.

While the IMF and World Bank pushed for SAPs across the entire economy, the reforms implemented in the agricultural sector are particularly important to this paper because they shaped and influenced the nature and form of agricultural commercialisation. According to Chirwa (2006), the objectives of SAPs in the agricultural sector included ensuring appropriate price and incomes

policy to offer adequate incentives to smallholder farmers, expanding the role of the private sector in the marketing of agricultural produce, and increasing the efficiency and incomes of smallholder farmers. The implementation of SAPs was therefore expected to promote smallholder agricultural commercialisation, which would, in turn, raise the income of smallholder farmers and hence increase their entitlement to food through the market.

The World Bank was particularly forceful in pushing for smallholder farmers as a locomotive for agricultural commercialisation. The underlying narrative was that smallholder farmers are very efficient as long as they are properly incentivised, especially through appropriate pricing mechanisms. And since the majority of people in African countries live in rural areas and are smallholders, the sector should be the primary focus for agricultural commercialisation, since growth in this sector would have tremendous impacts on poverty reduction (World Bank 2009). It is argued that growth which starts with smallholder farmers tends to have far higher growth linkages than growth in any other sector. It is against this backdrop that Mellor (1995) argued that promoting smallholder agriculture would lead to growth and reduce poverty more than any other policy. The processes of agricultural commercialisation would be further accelerated if smallholder farmers could easily access relevant technologies and properly functioning markets.

Consequently, SAPs focused mainly on reducing significant government interventions in the agricultural sector and easing the price distortions and restrictions that impeded smallholder growth (Chirwa 2006; Verkerk 2007). The government implemented annual adjustments in smallholder prices between 1981 and 1994, with the exception of maize, in order to stimulate production. The major development during the implementation of SAPs was the deregulation of the marketing of smallholder agricultural crops through the Agriculture (General Purpose) Act of 1987. The Act ended ADMARC's monopoly powers in produce marketing. It also required private traders to obtain licences to engage in the marketing of crops while allowing them to determine their own prices of crops from the smallholder farmers. The requirement for traders to get licences was progressively relaxed and eventually abandoned by 1995, and similarly, prices of all crops, except for maize, were fully liberalised and ADMARC was given flexibility in determining the prices of other crops. While the political elites could let go of the prerogative of ADMARC to set prices for the other crops, they clinged to maize, given its significance for maintaining political stability. The government introduced a price band for maize, which it was

expected to defend, but was eventually abandoned by 2000 because it had become too difficult to defend due to the increased marketing of maize by private traders (Chirwa 2006; Verkerk 2007). The enduring legacy of these reforms is that government has intervened in (and continues to intervene in) the pricing of maize, particularly during the lean season and food crises.

Amidst all these developments, it is important to note that there have been some remarkable changes to estate and smallholder farmland. While Table 2 showed rapid growth of the estate sector between 1964 and 1979, Table 3 provides a comprehensive picture of how the estate sector in the country has evolved, focusing on four distinct periods. Table 4 provides a contemporary picture of the ownership structure of estates in Malawi.

The 1997 land utilisation study showed that Malawi had 29,000 estates occupying an area of about 916,815 hectares (Government of Malawi 1997). According to Table 3, agricultural estates currently take up 1.35 million hectares, which rises to 1.5 million hectares if non-agricultural estates are taken into account. Deininger and Xia (2017) identify four distinct phases of estate development in Malawi since 1909. In the pre-independence period, stretching from 1909 to 1994, estates occupied 16,725 hectares. This translated to 155 estates with an average size of 124 hectares. The second phase ran from 1964 to 1986. It is estimated that during this period, 237,322 hectares were converted into estate land. This translated to an annual average of 1,004 new leases, with estates of an average size of 105 hectares, which implied a total transfer to leasehold of 10,800 hectares each year. The third phase spanned 1986 to 1994, during which an annual average of 65,000 hectares of land was converted into estates, but the average size of estates declined to about 25 hectares, with 2,626 leases issued per year (on average). The final phase, running between 1995 and 2016, is further divided into two sub-phases: 1995–2006 and 2007–2016 (Mandondo and German 2015). This phase was preceded by a moratorium of new agricultural leases, which saw issuance of new ones drop sharply to 176 leases or transfer of 7,800 hectares per year. The main distinction between these two sub-phases is that the 1995–2006 period was characterised by the issuance of slightly more but smaller leases, while the 2007–2016 period was characterised by an increase in the average size of leases but fewer new leases were issued. The striking development is that the moratorium did not mean a complete stop to the issuance of new leases. In fact, according to Deininger and Xia (2017), the issuance of leases continued apace for non-agricultural estates.

The 1986–1994 period greatly altered the ownership structure of estates in Malawi. The major development

**Table 3: Evolution of number and area under agriculture and non-agriculture estates**

		1909-64	1965-86	1987-94	1995-2016	By sub-period 1995-2006 & 2007-16	
<b>Panel A: Cumulative figures</b>							
Total							
Area transferred	1000ha	17.95	259.12	779.05	960.06	864.62	960.06
No. of leases	No	648	5,281	27,282	39,695	33,252	39,695
Agric.							
Area transferred	1000ha	16.73	254.05	772.85	944.18	853.34	944.18
No. of leases	No	155	2,439	23,439	27,321	26,202	27,321
Non-Agric.							
Area transferred	1000ha	1.23	5.08	6.21	15.89	11.29	15.89
No. of leases	No	493	2,849	3,843	12,374	7,050	12,374
<b>Panel B: Period increments</b>							
Total							
Area transferred	1000ha	17.95	241.17	519.93	181.01	85.57	95.44
No. of leases	No	648	4,633	22,001	12,413	5,970	6,443
Mean lease size	ha	29.24	52.80	23.79	14.87	14.84	14.89
Agric.							
Area transferred	1000ha	16.73	237.32	518.82	171.33	80.49	90.84
No. of leases	No	155	2,277	21,007	3,882	2,763	1,119
Mean lease	ha	123.90	105.15	24.73	44.13	29.43	81.47
Non-Agric.							
Area transferred	1000ha	1.23	3.85	1.13	9.68	5.08	4.60
No. of leases	No	493	2,356	994	8,531	3,207	5,324
Mean lease size	ha	2.56	1.67	1.30	1.16	1.67	0.84
<b>Panel C: Annual increments</b>							
Total							
Area/Year	1000ha	0.32	10.96	64.99	8.23	7.13	9.54
Leases/Year	No	12	211	2,750	564	498	644
Agric.							
Area/Year	1000ha	0.30	10.79	64.85	7.79	6.71	9.08
Leases/Year	No	3	104	2,626	176	230	112
Non-Agric.							
Area/Year	1000ha	0.02	0.18	0.14	0.44	0.42	0.46
Leases/Year	No	9	107	124	388	267	532

Source: Adapted from Deininger and Xia (2017).

**Table 4: Estate characteristics by size and ownership**

Size category of estates (ha)							
	All	<=5	5-10	10-50	50-100	100-500	>500
Years run by current owner	18.99	13.14	12.54	15.28	21.13	19.84	30.77
Owner is Malawian (%)	72.58	75.00	82.76	92.42	80.21	50.52	29.75
Owner is expatriate (%)	10.48	12.50	0.00	1.18	4.17	29.17	20.66
Owner is other (%)	10.94	12.50	13.76	4.50	6.25	12.50	33.88
Owner is government (%)	2.19	0.00	0.00	0.00	3.13	4.21	4.96
Owner is NGO (%)	3.23	0.00	345	1.90	6.25	2.60	6.61

Source: Adapted from Deininger and Xia (2017).

during this period was the widening of Malawian ownership of estates to a broader section of national, regional and even local elites. Table 3 makes it clear that large areas of land in the country were transferred to estates in the 1980s and early 1990s (Mandondo and German 2015). It is actually estimated that 20–25 percent of the land was leased to commercial farms or local entrepreneurs in the late 1980s. Table 4 shows, *inter alia*, that most of the country's estates are owned by Malawians (73 percent) while corporations own 11 percent and expatriates own 10 percent. Malawians dominate ownership in almost all categories except those estates that are greater than 500 hectares. They clearly dominate in the ownership of estates that are between 5 and 100 hectares, owning 80 percent of all estates falling within this range. The ownership share of expatriates and government peaks at 100–5,000 hectares, while that of others (corporations) peaks in the greater than 500 hectares category.

The dominance of Malawian ownership of estates within the 5–100 hectare category can be attributed to the developments that took place in the 1980s and early 1990s. The government simplified the processes of leasing land as well as lowered the threshold for the size of an estate. Some scholars have argued that government was motivated by lessons from the LLDP, which made land registration somewhat difficult. They argue that the simplification of the procedures was largely meant to overcome regulatory regimes for customary tenure to facilitate rapid commercialisation of the agricultural sector (Deininger and Xia 2017). According to van Setten (2016), the formal process to obtain a lease comprised four steps: (1) submission of an application stating size, intended use, and location of the desired piece of land with a 'no objection' document by the chief certifying that neither chief nor village headman object to the proposed transfer; (2) following validation of the application, government issued an offer that detailed the length of the lease and annual ground rent, ideally accompanied by a survey plan that describes the property's location more precisely; (3) acceptance transformed the offer letter into a preliminary lease contract; and (4) the lease contract would then be formalised by a deed that was formally registered. Some scholars speculate that some small to medium size estates might have been created under the LLDP but their existence is not properly captured in the existing data.

The acceleration of the development of estates in the 1980s and 1990s was very much a political strategy to defuse the negative impact of SAPs on the welfare of the majority of the population. These negative effects of SAPs were gradually but steadily fermenting disenchantment with the political regime and the

governing elites. The simplification of lease procedures, including lowering of the threshold for leased land to qualify as an estate, was designed to widen access to patronage within the agricultural sector disguised as a strategy to commercialise the agricultural sector. Through these leases, the new estate owners who multiplied exponentially would have access to burley tobacco rents, which they could not share in under the auspices of the customary land tenure regime. Unlike the LLDP, the estate acceleration strategy was extended to the entire country, widening the base of patronage to prop up the regime against some incipient signs of disenchantment. The ownership of estates was decentralised to the middle-level elites who included traditional leaders, political party supporters, emerging farmers, mid-level private and public sector employees, policy makers, the army and MYP officials, and other notable power-brokers in various sectors.

### Winners and losers in this phase

The implementation of the estate export-oriented agricultural development strategy produced clear winners and losers. While Dr Banda and his faithful elites were winners, as the strategy allowed him to accumulate massive wealth and consolidate his political power, and allowed loyal elites to accumulate wealth, the smallholder farmers were big losers even though support was directed to them to guarantee self-reliance in the context of a growing population and urbanisation. Major investments were actually made in marketing and storage infrastructure in customary land, but these efforts were undermined by the high maize prices that heavily damaged the welfare of people living in poverty. They could not enjoy the benefits of their investment in agriculture, nor the full extent of the support provided, as they were not allowed to grow certain crops and could only dispose of their produce through ADMARC at predatory prices. Considerable areas of land were transferred from the customary to the estate sector with relative ease under the auspices of the 1967 Land Act, which allowed for only one-way movement of land from the customary to the estate sector. The landholding sizes for most smallholder farmers were further worsened by rapid population growth, averaging 3.2 percent per annum, compounded by the influx of Mozambican refugees at the turn of the 1980s. Smallholder farmers could not stage any meaningful protest because of the restrictive political environment. They eventually reacted through progressive underproduction of their crops, which greatly contributed to a massive economic crisis in the 1990s that made economic reforms imperative (van Donge 2002; Chirwa 2006; Verkerk 2007).

A systematic institutional framework was strategically put in place to support the estate-oriented agricultural development strategy. According to Verkerk (2007),

national self-sufficiency in maize was very much a political strategy to ensure that smallholders continued producing low revenue-generating crops, while the elites continued dominating the highly valued revenue-generating export sector, largely through burley tobacco. Government policy facilitated the rapid expansion of estate agriculture through: acquisition of customary land; implicit taxation of smallholder agriculture through the smallholder pricing policy; and control of the commercial banks and ADMARC (Kydd and Christiansen 1982; Gulhati 1989; Lele 1990; Chirwa 2006). Through this institutional framework, Dr Banda's one-party regime developed policies that could be used to buy off potential opposition elements, and prop up and consolidate his political power which, inter alia, included ownership of estates, licences to grow export crops, cheap bank loans and extension services.

Estate agriculture continued to be an important driver of agricultural commercialisation but somewhat tempered by the IMF and World Bank's demand for the Malawi government to embrace SAPs as a remedy for revitalising the agricultural sector and kick-starting smallholder-driven agricultural commercialisation. However, Dr Banda effectively resisted the liberalisation of the agricultural sector, particularly in relation to maize marketing, given its salient position in Malawi's overall commitment to the national food self-sufficiency position. To reiterate, the commitment to retain control over maize was a strategic political manoeuvre given the centrality of maize in the country's overall political economy. This is a clear demonstration of the fact that political considerations play a more strategic role than ideas in influencing and shaping an overall commercialisation agenda in the agricultural sector.

The acceleration of the development of the estate sector in the 1980s and 1990s was very detrimental to the country's economy and therefore the poor, who comprise a disproportionate share of the population. Poor administrative records, coupled with incomplete lease processes, greatly limited the government's ability to mobilise payment of ground rent and enforce environmental responsibilities, mainly in relationship to woodland and water use. The incentive for the government to enforce these lease requirements was non-existent since owners of the larger estates were influential people in government. They did not want to make payments that would eat into their profits for a sector that was experiencing declining levels of profitability. Deininger and Xia (2017) estimate that the government lost revenue amounting to about \$35 million or the equivalent of 5 percent of total public spending at half of the market price for land rentals. A future government could thus attempt a restructuring of the estate sector without the need for further legislation

by raising ground rents, and actually enforcing payment and compliance with other lease conditions. The country has also suffered tremendous productivity losses. The existing evidence, as further espoused below, shows that in the Malawian context, large farms underperform compared with small farms in terms of yield productivity, intensity of land use, and generating positive spillover effects.

### **3.2 Failed smallholder commercialisation phase (1994–2009)**

This phase followed the swift implementation of SAPs by the Muluzi regime, which came to power in May 1994. The swift implementation of SAPs paved way for the liberalisation of the cultivation of burley tobacco, which, as demonstrated below, was undermined by a series of implementation limitations and almost immediately overshadowed by the food security crisis that quickly demanded a return to the food self-sufficiency philosophy. An integral part of the World Bank's effort to promote smallholder-driven agricultural commercialisation, the 1990 Agricultural Sector Credit included a policy proposal to open up the cultivation of burley tobacco to smallholder farmers, which had been prohibited under the auspices of the Special Crops Act, 1972. The World Bank's justification was that doing so would accelerate the pace of smallholder agricultural commercialisation as a viable rural development strategy to improve welfare (Von Braun and Kennedy 1994; Orr and Orr 2002; Lea and Hanmer 2009; Wood et al. 2013).

The World Bank's position was rooted in theoretical notions about how the liberalisation of high-value cash crops among smallholder farmers accelerates agricultural commercialisation and fosters transformative rural development. Cash crop liberalisation thus allows households to increase their incomes by producing that which provides the highest return to their productive resources, and they use the cash to buy consumption goods. And since most cash crops earn higher value than food crops, the production of cash crops enables smallholder farmers to obtain more income and food than they could obtain by diverting the same resources to own-food production (Poulton et al. 1998; Masanjala 2006; Wood et al. 2013). The liberalisation of the cultivation of burley tobacco started off on a pilot basis in 1990, when a total of 7,660 growers were registered to grow it, with a maximum quota of 300kg per farmer. The liberalisation of burley cultivation was completed in 1996 following the repeal of the Special Crops Act. This meant that any smallholder farmer could grow burley tobacco regardless of whether they were registered to grow the crop or belonged to a club (Orr and Orr 2002; Masanjala 2006; Wood et al. 2013).

The liberalisation of the cultivation of burley tobacco led smallholder farmers to progressively dominate its production. It is actually estimated that more than 20 percent of smallholder farmers cultivate burley tobacco, accounting for about 70 percent of the total burley tobacco since the liberalisation of its cultivation. The number of estates growing burley tobacco has declined from 62,000 in 2000 to 11,000 in 2007. It is further estimated that smallholder farmers cultivated as much as 98 percent of total burley tobacco in 2009 (Chirwa 2011; Wood et al. 2013; Kwengwere 2011). While the World Bank (1994) described the burley tobacco-driven commercialisation as a success, several scholars – as well as most government officials – claimed that it was a spectacular failure (Orr and Orr 2002; Chirwa 2006; Lea and Hanmer 2009). The World Bank (2009) argued that the liberalisation of burley tobacco cultivation had created new opportunities for smallholder farmers to earn cash which, in turn, compensated for any decline in household maize production by increasing their ability to buy maize. The underlying argument of the critics is that the liberalisation of burley tobacco did not produce the anticipated outcomes because it was implemented without thinking through, and putting in place, an appropriate institutional framework (Booth et al. 2006; Wood et al. 2013). The decline in the estates' share of the total burley tobacco cultivated resulted in as much as 28 percent of the country's cultivable land (representing approximately 2.8 million hectares) lying idle – much of it falling under the freehold category (Government of Malawi 2011; Chinsinga 2015a).

There are several factors that led to the failure of the burley tobacco-driven smallholder commercialisation strategy. The absence of an appropriate regulatory framework resulted in smallholder farmers supplying poor quality tobacco since it was a free-for-all cash generation venture; and poor quality of crop forecasting led to unexpected price swings (Chirwa 2006; Lea and Hanmer 2009; Chirwa 2011). The quality of burley tobacco supplied to the auction floors declined substantially because of the entry of middlemen in the supply chain, most of whom did not have any prior experience in handling tobacco. The majority of these were civil servants who would buy the leaf from smallholder farmers who were desperate for cash or simply did not have the means to take the leaf to the auction floors. The unregulated cultivation and sale of tobacco was seized by small- to medium-scale businessmen and civil servants as an opportunity to accumulate for themselves (van Donge 2002; Chinsinga 2012).

The liberalisation of the cultivation of burley tobacco further failed to live up to its promise as the engine of growth for the rural economy because of worsening

land ownership patterns. The annexation of land from the customary to the estate sector under the auspices of the 1967 Land Act left the majority of smallholder farmers with very small landholdings, which limited the adoption of burley cultivation, exacerbated by rapid population increase (Orr and Orr 2002). Assessments carried out by Chirwa (2006) and Chirwa and Matita (2012) revealed that excessive land fragmentation had significant implications for the adoption of new agricultural technology. These assessments concluded that households which produced but did not sell crops had smaller landholdings than those that produced and sold crops, and that there is a positive association between crop sale values and the value of landholdings.

Some studies, however, show that the liberalisation of the cultivation of tobacco, coupled with the removal of fertiliser and seed subsidies, promoted the displacement of maize by tobacco, which culminated in the incidence of chronic food insecurity. Tobacco could not fetch much due to the collapse of prices to enable these households to achieve food security through market purchases (Masanjala 2006; Wood et al. 2013). In some cases, smallholder farmers decided to apportion their smaller landholdings to the cultivation of both burley tobacco and maize, which resulted in them facing some kind of double jeopardy. The tobacco could not fetch higher prices whereas the maize could not do well due to the removal of fertiliser subsidies. Orr and Orr (2002) attributed the farmers' dilemma to the apparent lack of secure maize markets. This forces smallholder farmers to divert a significant share of their resources to securing household food supply which, in turn, prevents specialisation in high-value crops and more profitable forms of micro-enterprise that compete with household maize production. In other words, if smallholder farmers could rely on the market to purchase maize, they would be more willing to specialise in cash crops or in non-farm activities that could provide them with cash income.

In a detailed study of the burley tobacco smallholder-driven commercialisation in southern Malawi, Orr and Orr (2002) argued that the one-size-fits-all approach was ill-conceived. They estimated that only 3 percent of smallholder farmers in southern Malawi were growing burley tobacco at least five years after its liberalisation. Their underlying argument was that the problem of fragmented land ownership is highly pronounced in southern Malawi, and the liberalisation of burley tobacco cultivation has had the least impact compared to central and northern Malawi. They concluded that agricultural commercialisation could only be meaningfully promoted if smallholder farmers are differentiated not only according to access to land but also to levels of non-farm income. This would then form the basis of what they described as 'market niche commercialization'.

Consequently, they argued that smallholder farmers in southern Malawi were occupying different technology niches or underexploited farm enterprises that suited each household resource base or income strategy in which agriculture more or less resembled a honeycomb of technology niches. Vegetable-growers were responding to demands from the urban market; sweet potato producers were producing for home consumption but also for traders who purchased entire fields before harvest; and dairy farmers were responding to urban demand for fresh milk. They therefore claimed that the best guide for agricultural commercialisation interventions is households' existing portfolios of on-farm and off-farm activities.

While smallholder farmers now produce more than three-quarters of Malawi's burley tobacco, the liberalisation did not succeed in turning it into the locomotive for the rural economy. The income from burley tobacco did not allow smallholder farmers to invest in seed and fertiliser technology to boost food security, and because of the progressive collapse of tobacco prices, the anticipated multiplier effects from the liberalisation of the cultivation of burley tobacco (such as increased demand for farm labour, rural goods and services) were realised only to a very limited extent (Orr and Orr 2002; Wood et al. 2013). Falling tobacco prices, displacement of maize by tobacco, inefficient combination of maize and tobacco and the removal of input subsidies combined to create and entrench structural food insecurity, which ultimately forced a welfarist response from the government that entailed the reinstatement of subsidies initially through the Starter Pack (SP) and Targeted Input Programme (TIP). The hunger situation was worsened by the incidence of droughts and floods on a regular basis since the turn of the 1990s.

The major obstacles to the concerted efforts to liberalise burley tobacco can be summed up as follows: (1) insufficient appreciation of the role the estates had played in ensuring quality; (2) a failure to appreciate that the world market for tobacco is oligopolistic, dominated by a few big trading companies which sell on to manufacturers, and these companies like relatively predictable supply volumes (high year-on-year volatility in production and quality is off-putting, resulting in buyers shifting their focus to other countries and to lower prices); and (3) failure to put in place support systems for independent growers of equivalent effectiveness to those provided by the estates.

### **SAPs and the reinstatement of subsidies**

The reinstatement of subsidies benefited from the Maize Productivity Task Force (MPTF), which had been spurred by the consensus among national analysts, donors and

international research agencies that the key to solving the food security problem lay in the widespread adoption of improved, resource-efficient, agricultural production technologies, particularly for maize (Blackie and Mann 2005). Pooling expertise from both public and private sectors and with consultations with various donors, the main goal of the MPTF was to find lasting solutions to address Malawi's pervasive food shortages. Inspired by the Green Revolution experiences, particularly in Asia, the MPTF developed several options that could be implemented to spur maize productivity, including area-specific fertiliser recommendations that replaced the one-size-fits-all approach. As the food security situation continued to worsen, the government, through the Minister of Agriculture, called upon the MPTF to develop a cost-effective but robust intervention that would help to reverse the trend. The Starter Pack (SP) was proposed, which entailed providing tiny packs of maize seed and fertilizer: a 2.5kg bag of hybrid seed and bags of the recommended quantity and type of fertiliser (10kg of 23:21:0+4S basal fertiliser and 10kg of urea, top dressing fertiliser) as well as a 1–2kg bag of complementary nitrogen-fixing legume. It was estimated that this input package given to all 1.8 million smallholder farmers would generate an extra 10kg of maize on a 0.1 hectare of fertilised hybrid maize (Blackie and Mann 2005).

While the World Bank was fiercely opposed to the idea of reinstating subsidies as a way of dealing with the seemingly intractable hunger problem in Malawi, the MPTF argued that the implementation of the SP would not have the feared distortionary effects. According to the MPTF, the vast majority of smallholder farmers were so short of cash at that time that they represented no market for hybrid seed or fertiliser. Giving them the SP would not therefore displace commercial purchases. On the contrary, giving them the experience with quality inputs would stimulate the incentive to purchase more inputs in the long run. This cumulative process should then generate the resources to support purchase of small but increasing quantities of hybrid seed. The government proceeded to adopt and implement the SP proposal in spite of the World Bank's stern warning: 'do not reintroduce credit or fertilizer subsidies: not only are they fiscally unsustainable but they also encourage inefficient resource use and undermine other efforts to develop sustainable market based interventions' (World Bank 1994: xii).

The government quickly adopted the SP because high maize prices were creating powerful inflationary pressures, compromising household food security, promoting unrest and fuelling demands for higher wages. Moreover, the liberalisation of markets –

considered to be essential to Malawi's future growth – was rapidly becoming discredited among the public by the higher consumer prices of maize and by the conspicuous rents being extracted by private traders (Blackie and Mann 2005). This marked a return to the national self-sufficiency philosophy as the basis for guaranteeing food security reliant on the increased productivity of the smallholder food sector, primarily maize. Donor engagement with the government on the cost-effectiveness of the SP led to its graduation into the Targeted Input Programme (TIP) from the 2001/02 growing season, involving only half of the rural farming households. The donors pushing for the scale-down of the SP included the European Union (EU) and the UK Department for International Development (DFID), as well as the World Bank and IMF (Chinsinga 2007b). The major change to the input package extended to smallholder farmers was the substitution of hybrid with Open Pollinated Variety (OPV) maize. The justification was that farmers would be able to recycle the seed for three consecutive growing seasons without losing the yield vigour. The government even implemented the Extended Targeted Input Programme (ETIP) in the 2004/05 growing season to deal with the devastating effects of the hunger crisis at a time when the country had not yet fully recovered from the historic hunger crisis of the 2001/02 growing season.

These developments invariably led to setting a development agenda that focused on self-sufficiency, largely through the utilisation of agricultural input subsidies. Verkerk (2007) argued that the mainstay of this development agenda was increasing maize yields by deeming it a strategic crop where it is subject to import and export bans, including concerted policy efforts to set domestic prices, especially during lean seasons and periods of food crisis. During this period, talk of agricultural commercialisation more or less disappeared from the government's official vocabulary in the agricultural sector. The focus was mainly on the government's efforts to facilitate the production of food to feed the growing population. This was even reflected in the Malawi Poverty Reduction Strategy Paper (MPRSP), which at that time was the overarching development planning framework. The main objective with respect to the agricultural sector was to increase agricultural incomes through access to inputs.

The government's position, articulated in the MPRSP, resonated very well with the Green Revolution route to progressively achieve smallholder agricultural commercialisation. According to Orr and Orr (2002), growth in smallholder farmer incomes would be achieved by increasing maize productivity. As maize production rises, households become food secure and the relative

price of maize starts to decline; since expenditure on maize forms a large share of household expenditure, this represents a net gain in income for most smallholder farmers. As maize productivity rises and maize prices fall, some smallholders are encouraged to devote less of their acreage to maize, instead relying on market purchases which are now cheaper and more reliable, and in place of maize, they begin to plant higher-value crops for the market. Similar sentiments were echoed by Chirwa and Dorward (2013) and Jayne et al. (2014). They argue that very well-targeted input subsidy programmes aimed at overcoming credit constraints of the poorest farmers and well-managed rules-based marketing board operations to stabilise food prices within tolerable ranges serve as a springboard for agricultural commercialisation on a sustainable basis.

### **Non-state agricultural commercialisation efforts**

Despite the official emphasis on restoring food security, several NGOs and donor-led agricultural commercialisation strategies did emerge during this period. These largely involved organising farmers in producer associations, clubs, organisations and cooperatives focused around a particular crop and linking them to markets (Kumwenda and Madola 2005). These initiatives were stimulated by the realisation that the liberalisation of agricultural markets had little benefits for smallholder farmers. Private traders could not fill the vacuum left by ADMARC due to problems of liquidity, access and transportation to such places, resulting in food security problems and a decline in household incomes. The National Smallholder Farmer Association of Malawi (NASFAM) stands out in this particular regard. NASFAM started off as a project sponsored by the United States Agency for International Development (USAID) in 1994 to organise smallholder farmers to take full advantage of the liberalisation of tobacco cultivation. According to Chirwa and Matita (2012), the vision of NASFAM is to promote farming as a business among smallholder farmers cultivating less than 1 ha to produce 60 percent for food and 40 percent for the market as the basis for commercialisation. NASFAM has extended its mandate to diversification into the production of other cash crops and food crops, including groundnuts, rice, chili, cotton, soya and other legumes. Its coverage has expanded to 110,000 smallholder farmers but marketing challenges remain. The main achievement of NASFAM is that it has successfully promoted the commercialisation of groundnuts, earning them a fair trade label, which enables smallholder farmers to export groundnuts at a premium post-2004. The reach and impact of these commercialisation initiatives have been very limited because they were not reinforced by any clearly articulated government policy framework.

The government was contented as long as smallholder farmers were able to produce enough for consumption through the input support programmes.

Further attempts to promote agricultural commercialisation have been mounted through the promotion of agro-dealership within the framework of the FISP (Mangisoni 2007; Chinsinga 2011). These efforts have been pushed mainly by USAID, the World Bank and IMF. While the government has primarily focused on using the FISP as a mechanism for achieving food self-sufficiency at both the national and household levels, the donor agencies, led by USAID, felt that the FISP could be exploited as a possible avenue for spearheading efforts to develop markets in rural Malawi, which are missing, so as to kick-start the recovery of sustainable productivity in the agricultural sector. The underlying argument was that a network of agro-dealers – construed as locally based entrepreneurs who sell seeds, fertiliser and agro-chemicals to poor farmers in remote areas – would facilitate the emergence of private sector-led sustainable agricultural growth (Chinsinga 2011). The overall vision is that the network of small-scale, entrepreneurial agro-dealership would transform the currently fragmented input distribution system into an efficient, commercially viable input infrastructure, which would, in turn, enable farmers to have greater access to productivity-enhancing inputs and technologies. While an impressive number of agro-dealers has emerged, the majority of them are seasonal ones and they are not resident in rural areas. The implementation of the FISP has mostly led to the emergence of agro-dealerships owned and managed by white collar employees based in urban areas and well connected to secure contracts with seed companies, which are intent on exploiting quick returns from the programme. These agro-dealers fold up as soon as the FISP season is over (Mangisoni 2007; Chinsinga 2011). The agro-dealership has therefore failed to kick-start the development of rural markets as envisaged because it has been captured by a network of elites who have appropriated it as a cash cow for rapid wealth accumulation rather than a medium for broadening farmers' access to productivity-enhancing inputs and technologies.

Recent initiatives led by DFID to kick-start agricultural commercialisation among smallholder and large-scale farmers have focused on strategic market development. This follows the realisation that farmers, especially smallholders, continue to lack access to predictable, regular and lucrative markets since the liberalisation of agricultural markets. Viable alternatives to the state marketing board, ADMARC, have not emerged and as such there is a risk that smallholder farmers will

continue to be marginalised and be left out of lucrative domestic and international markets (Kumwenda and Madola 2005). The underlying argument is that in this climate, smallholder agricultural commercialisation is very unlikely because without viable alternative markets, smallholder farmers cannot close the finance gap that forces them to sell their produce at harvest because they need money to repay the costs of inputs and prepare for the next season.

This led to the formation of the Agricultural Commodity Exchange (ACE) in 2005 to provide structured trade for farmers by making the grain business more transparent to sellers and buyers. This was achieved by identifying the basic standard grades being offered for sale, attaching the known characteristics to each grain price and creating an open system for sellers to bid against the offer price on this basis (Jayne et al. 2014). The ACE struggled to take off due to limited demand among potential buyers but collaboration with the World Food Programme (WFP) under their Purchase for Progress (P4P) initiative changed the situation for the better, further supported by the financial injections from the EU and the Alliance for a Green Revolution in Africa (AGRA) to the tune of \$653,000 and \$540,000 for the development of warehouse receipts and farmer and trader sensitisation respectively.

Two additional commodity exchanges have been established. These are the Auction Holdings Commodity Exchange (AHCX) and the Malawi Agricultural Commodity Exchange (MACE). The former functions in exactly the same way as the ACE, whereas the MACE operates predominantly as a market information system for farmers. The commodity exchange system is billed as a potential trigger of agricultural commercialisation on a sustainable basis because the warehouse receipt system allows farmers to use it as a collateral to borrow from a participating bank, as well as to access quality storage facilities and sell their commodities at a fair market price and at the time of their choosing, especially when prices recover from their seasonal harvest-time lows (Jayne et al. 2014). Assessments indicate that the agricultural commodity exchange system has functioned relatively well compared to other countries across the continent. This is attributed to an improvement in the agricultural policy environment that has contributed to increased predictability and a decreased role for the state in the market. ADMARC has substantially curtailed its involvement in output markets over the past few years due to serious financial constraints, especially since the turn of the 2000s.

The main narrative of agricultural commercialisation during this phase focused predominantly on altering the production incentives facing smallholder farmers. This

narrative was motivated by the belief that smallholder farmers are efficient and this would be greatly enhanced if all disincentives were eliminated, supported by ready access to technologies and properly functioning markets. The culmination of this narrative was the repeal of the Special Crops Act, 1972, which allowed smallholder farmers to cultivate burley tobacco. This would then allow the smallholder farmers to earn decent cash that would guarantee them food security through market purchases. Initially, smallholder farmers were projected as winners as they were allowed access to cultivation of the crop that was highly lucrative. However, these gains were not sustained because some of these benefits were captured by middlemen, and the failure to put in place properly functioning regulatory mechanisms led to the progressive collapse of tobacco prices. Most smallholder farmers could not fully exploit the potential benefits of the liberalisation of burley tobacco because of the enduring legacy of the 1967 Land Act, which allowed for the one-way transferability of land from the customary to the estate sector, and landholding sizes were further worsened by the rapid population increase, averaging around 3.3 percent per annum (Chinsinga 2012).

Strikingly, existing evidence (as shown in Tables 5 and 6) suggests that notwithstanding the problems that smallholder farmers have faced, they have been more productive than estates over the years.

Table 5 shows that smallholder farmers have been more productive than estates across all crops, with the exception of cassava. A small proportion of estates (estimated at 18 percent) are able to use 70 percent or more of their land for crops (Table 6). The data shows that the intensity of land use is highest in the below 20 hectares group, lowest in the 50–500 hectare group, and this again increases slightly in the above 500 hectare group. The satellite imageries actually suggest that only about 40 percent of estate land is used for crop production.

The conclusion arising from this is that while estates are an important part of Malawi's rural economy, they have failed to act as an engine for growth and a source of positive spillovers for smallholder farmers. Estates are able to generate these spillovers if they benefit smallholder farmers by giving them knowledge of improved techniques and allowing easier access to factor and output markets. Smallholder farmers' employment on estates can increase their demand and potentially relieve their borrowing constraints. Furthermore, smallholder farmers may also be in a

position to acquire knowledge about new techniques or pick up specific skills that would be useful on their own farms (Deininger and Xia 2017).

### Winners and losers in this phase

The estate owners were clear losers because liberalisation of the cultivation of burley tobacco greatly diminished the profitability of estate agriculture. The declining levels of profitability of estate agriculture witnessed the remnant one-party elite abandoning estate agriculture for alternative means of accumulation. The worsening economic situation limited the 'wiggle' room for the political elite to engage with the IMF and World Bank, but nonetheless they strategically resisted the liberalisation of the marketing of maize as a reflection of their commitment to the national food self-sufficiency position (Harrigan 2003; Chirwa 2006). The commitment to retain control over maize was a strategic political manoeuvre given the centrality of maize in the country's political economy. The political elite which presided over the repeal of the Special Crops Act did not pay much attention to the potential consequences of such a move on the patterns of accumulation since their primary interest was not in agriculture but in commerce. Moreover, such reforms would undercut the accumulation processes on the part of the surviving one-party elite. Thus the move to liberalise burley tobacco was a profound shift in Malawi's agricultural philosophy and strategy (Chinsinga 2002; Masanjala 2006).

The major winner in this phase was the government. It was able to maintain political stability by staving off potential unrest arising out of serious food shortages triggered by rising prices. Through the subsidies, the government was able to appease the masses by guaranteeing the availability and affordability of maize although the policy did not clearly articulate the possible pathways to long-term sustainable structural transformation. Donors, particularly the World Bank and IMF, were losers because they failed to make their liberalisation agenda stick as the basis for stimulating long-term sustainable growth, especially in the agricultural sector. They nonetheless registered modest gains when they successfully negotiated with government to scale down the SP to TIP as a strategy for containing overall government expenditure. It is, however, very clear that both donor and recipient had turned full circle: 'the [World] Bank retreating backward toward its state minimalism of the early 1980s and the government edging toward its interventionism of the 1970s' (Harrigan 2003: 847–48).

**Table 5: Production and yields between estates and smallholders**

Estates by size (ha)							Smallholders by size (ha)				
	All	<=5	5-10	10-50	50-100	100-500	All	<=1	1-5	5-10	>10
Land Use											
Area owned	433.86	4.00	8.52	21.61	74.28	2,544	1.06	0.43	1.72	7.07	29.34
Area operated	66.98	3.50	5.77	10.27	27.42	294.53	0.70	0.38	1.35	5.10	8.07
Share of area by crop											
Tobacco (%)	42.07	31.94	15.89	39.89	42.48	47.15	1.77	1.22	3.65	4.55	2.36
Maize (%)	38.86	56.94	66.95	44.30	41.75	22.93	60.06	60.51	58.90	60.13	49.55
Beans (%)	0.73	0.00	1.28	0.76	1.68	0.51	1.86	1.94	1.62	1.40	1.44
Rice (%)	1.08	0.00	0.00	1.13	0.07	0.89	2.34	2.27	2.65	3.40	0.53
Cassava (%)	1.84	0.00	0.64	1.80	3.46	0.10	4.65	4.28	5.88	2.37	9.40
Groundnuts (%)	7.02	5.56	12.99	9.95	6.78	1.38	4.86	4.06	7.46	5.69	11.20
Tea (%)	3.67	0.00	0.00	0.00	0.00	16.97	0.02	0.01	0.07	0.00	0.00
Other crops (%)	4.73	5.56	2.35	3.79	3.79	10.07	12.87	12.86	13.11	9.09	11.95
Yield (kg/ha) by crop											
Tobacco	960	854	1,047	905	1,089	1,000	1,129	1,233	1,073	674	419
Maize	1,585	1,313	1,874	1,685	1,286	1,606	1,765	1,911	1,367	505	1,199
Beans	355		75	207	432	615	427	455	334	11.05	1,043
Rice	1,123			1,310		750	2,143	2,333	1,835	0.30	673
Cassava	3,058			3,692	1,417		2,742	2,914	2,366	44.21	3,200
Groundnuts	765		440	840	439	550	1,119	1,298	1,087	1.29	821
Tea	648					370	2,992	1,004	3,489		

Source: Adapted from Deininger and Xia (2017).

**Table 6: Land use status for agricultural estates**

	Total area (1000,ha)	Share of land under crops (%)	Share of estates with at least 70% of area under crops	No. of observations
Total	683.83	42.07	18.09	24,823
Region				
North	101.04	34.97	11.34	3,758
Centre	455.38	44.51	20.59	18,526
South	127.41	38.99	9.85	2,539
Size				
<10ha	9.04	51.10	23.56	1,957
10-20ha	205.42	48.32	21.77	15,224
20-50ha	169.06	40.57	10.83	5,828
50-100ha	77.82	34.96	4.78	1,151
100-500ha	108.68	35.50	4.24	590
>=500ha	113.82	43.43	6.85	73

Source: Adapted from Deininger and Xia (2017).

### 3.3 Rhetoric large-scale agricultural development phase (2009 to date)

#### Drivers and the policy framework of large-scale agriculture

The primacy of the national food self-sufficiency goal was further solidified with the introduction of the FISP in the 2005/06 growing season against fierce donor resistance, led by the World Bank and IMF (Chinsinga 2007b). The devastating effects of the 2004/05 hunger crisis created a national consensus that subsidising food production rather than reliance on food imports was the surest way to guarantee national food security. The FISP involved extending two 50kg portions of fertiliser (one for basal dressing, the other for top dressing), 5kg of hybrid maize seed and 2kg of legume seed to half of the rural farming families, estimated at 1.5 million.

The initial design, however, reflected the desire to use the FISP as a vehicle for smallholder agricultural commercialisation. For the first three years of its implementation, the package included extending to tobacco farmers one 50kg of fertiliser to facilitate increased production. In the second year, the subsidy was extended to cotton farmers, providing them with cotton pesticides. This was a strategic political consideration on the part of Bingu wa Mutharika's regime. Tobacco growers are concentrated in central and northern Malawi while cotton growers dominate in the southern region, considered the DPP's stronghold (Chinsinga 2012). The tobacco and cotton subsidies were discontinued during the 2009/2010 growing season after President Bingu wa Mutharika won historic landslide victories at both presidential and parliamentary levels, and continued preoccupation with the question of food security, which lies at the heart of the country's political economy.

The initial design of the FISP mirrored the underlying intent of the Malawi Economic Growth Strategy (MEGS), which espoused the return to large-scale agriculture as the only feasible way to spearhead sustainable agricultural commercialisation. The development of the MEGS was spearheaded and presided over by Bingu wa Mutharika when he was Minister of Economic Planning and Development. He carried over his conviction about large-scale agriculture as the basis for agricultural commercialisation to the country's overarching development planning framework, the Malawi Growth and Development Strategy (MGDS) I, developed in 2006. The MEGS was developed as a direct critique of the MPRSP. The main thrust of the critique was that the MPRSP was oriented toward achieving pro-poor growth but without a corresponding productive base to facilitate these processes. The underlying diagnosis was that the MPRSP pillar promoting sustainable pro-poor

growth policy strategies was inadequate to achieve the sustainable economic growth of at least 6 percent per annum required to reduce poverty by half by 2015, as per the Millennium Development Goals (MDGs). The MEGS was jointly prepared by government officials and private sector representatives as the basis for promoting the set of policies meant to stimulate private sector investment and trade for sustainable growth and development processes (Government of Malawi 2004; Chirwa 2006).

The emphasis on large-scale agriculture in the MEGS led to a detailed analysis of the performance constraints and strategies of the tobacco, tea and sugar sectors as a first critical step to revitalising agricultural productivity in the country. It also proposed venturing into export production beyond the traditional crops to include cotton, cassava, pigeon peas, groundnuts, beans, rice, dairy products and soya. Cassava was particularly prioritised for commercial processing into ethanol and starch for industrial use (Government of Malawi 2004; Chirwa 2006). The MEGS hinted on smallholder agricultural commercialisation but as an appendage of large-scale farming through which smallholder farmers would be re-oriented towards greater commercialisation and international competitiveness. It proceeded to say that 'the commercial approach to agriculture will require better integration with larger businesses particularly those that are export oriented... and there are already many examples of smallholder farmers benefiting from such linkages with access to critical inputs and technical support directly from the private sector' (Government of Malawi 2004: 5). The MEGS concluded that tea, sugar and cotton all provide good illustrations of how this integration can benefit smallholder farmers, though the linkages are still very limited. In other words, the MEGS unequivocally suggested that smallholder agricultural commercialisation can only be meaningfully achieved through the promotion of contract farming.

The position articulated in the MEGS resonated very well with some perspectives that condemn smallholder agriculture as a non-viable vehicle for agricultural commercialisation (Collier and Dercon 2009). They argue that the evidence that claims smallholder agriculture as being efficient is questionable. The underlying argument is that the evidence about smallholder agricultural efficiency ignores how growth can come about and that growth dynamics in agriculture typically depend on growth in demand stemming from other parts of the economy (Collier and Dercon 2009). Smallholder farmers cannot facilitate commercialisation because they are very small, self-employed entrepreneurs, with no wealth other than land and little education. Smallholder farmers have not chosen to be entrepreneurs; they are so by default. The main conclusion therefore is that having

the single most important sector of a national economy almost exclusively run by these reluctant entrepreneurs (smallholder farmers) is a recipe for continued failure to fundamentally transform the agricultural sector across the African continent.

It is quite striking that all of Malawi's major policy documents since the MEGS have consistently emphasised large-scale agriculture as a practical, viable pathway for agricultural commercialisation through contract farming or out-grower schemes, targeting both traditional and non-traditional export commodities such as tobacco, tea, coffee, chili, paprika and legumes. The goal of the MGDS (2006) was to increase agriculture's contribution to economic growth by not only increasing production for food security but also agro-processing and manufacturing for domestic and export markets. This was further amplified in the Agriculture Sector Wide Approach (ASWAp) (2011), which stated that one of its goals was to broaden participation of smallholder farmers in commercial crops, livestock and fish production. This would, however, be anchored by promoting contract farming (principally of tobacco, cotton, and horticultural crops), out-grower schemes (sugar, tea, horticultural crops) and farmer cooperatives. It concluded that the expansion of smallholder involvement in this way would ensure that the benefits from agricultural growth trickle down to the poor. This theme is continued in the Green Belt Initiative (GBI) (2010), which emphasised the promotion and enhancement of agricultural commercialisation through contract farming and out-grower schemes and improved cooperation between value chain stakeholders. GBI's expectation is that within the framework of out-grower schemes, the commercial farmers will be models to smallholder farmers, but existing evidence shows that large farms in Malawi have failed to generate positive spillovers that are expected to benefit smallholder farmers within their respective neighbourhoods. In addition, GBI emphasises the promotion of producer organisations such as cooperatives, associations and clubs to strengthen smallholder farmers' engagement with agricultural commercialisation (Government of Malawi 2011).

The Malawi Economic Recovery Plan (MERP) (2012) recognised the centrality of agriculture in the country's growth, wealth creation and food security. It proposed that the key strategy to unlock the country's agricultural potential was to encourage diversified large-scale commercial farming with a particular focus on creating niches for export markets. The National Export Strategy (NES) (2013) is described as a critical component of the MGDS II and MERP, designed to provide guidance on how Malawi may build its productive capacity. As such, the NES provides a clearly prioritised and realistic

roadmap that Malawi needs in order to develop the productive base of the economy. It is actually billed as a paradigmatic shift away from 'the country's emphasis on welfare (subsidy for food security) rather than productivity and increased incomes' (Government of Malawi 2013: 3). The NES is thus ultimately designed to insulate the country from 'instinctive reaction in the times of crisis [which] is to protect welfare without supporting the productive base of the economy' (ibid.: 4). The NES equally champions large-scale agriculture by emphasising that the development of Malawi's productive potential is central to Malawi's development agenda, as set out in the MGDS II. It is against this backdrop that the NES is characterised as the paradigm shift because it recognises that achieving sustainable growth requires structures that are different from those for delivering welfare. The NES concludes that land reform is critical to creating structures that will deliver a productive base and economic empowerment, pledging that 'land reform shall be expedited so that land policy can allow for suitable access to land and secure tenure of property by private operators, who plan to ensure an economic return from the land, including farmers and businesses' (ibid.).

It is argued that the shift from the emphasis on smallholder to large-scale agriculture has been further influenced by the apparent crisis of tobacco as a principal foreign exchange earner. There is declining demand due to the growth of health concerns in key markets and the switch to alternative products (Otanez and Graen 2014). For this reason, the NES identified oil seed products, sugarcane products and manufacturing as clusters that have the potential to equate to over 50 percent of exports by 2027, thereby complementing tobacco as a major export. The GBI is therefore a culmination of concerted efforts to translate Malawi's commitment to large-scale agriculture as a primary driver of agricultural commercialisation within which smallholder farmers are embedded to benefit from the resultant rapid broad-based growth either through contract farming or out-grower schemes. The GBI is designed to use available water resources from the country's three lakes and 13 perennial rivers to increase production on land lying within a 20km radius of these water sources. The success of the GBI to increase wealth creation through increased agricultural production and productivity, enterprise development and increased exports is dependent on the availability of land and the associated water.

Concerns about the sustainability of water resources have been raised on two fronts. First, in relation to the production of electricity, the country's electricity is almost entirely hydro-generated and it is reliant on the same water sources as the GBI. This is a concern principally

because the generation of electricity is highly erratic. This is attributed mainly to the declining water flows into Shire River from Lake Malawi and its tributaries, which are the primary target of the GBI initiative. The water flow is bound to become more problematic once the GBI initiative fully kicks in. Second, there are plans to tap water from Lake Malawi for drinking in Lilongwe and neighbouring districts. Once this project is implemented, water availability for the GBI initiative and hydro-electric power will be greatly reduced. The GBI commits the government to facilitate the acquisition of land (lease or sub-lease) for the purpose of large-scale agricultural development and to provide a propitious environment for investments. It is against this backdrop that there have been concerted efforts to expand sugar production supported by loans contracted by the government under the out-grower scheme.

The implementation of the GBI as a viable route to agricultural commercialisation was given a big push following Malawi's ascension to the G8 New Alliance for Food Security and Nutrition in December 2013 (Orama and Wijeratna 2014). The country's cooperation framework contains investment plans for 23 domestic and multinational agri-businesses, including Illovo and Monsanto, and makes 33 policy reform commitments to promote agri-business. These policy measures include the promise of a new Land Act and national agricultural policy, the release and irrigation of 200,000 ha of land for commercial agriculture under the GBI by 2015, reorganisation of extension services and a review of the seed and pesticide Acts. The joint largest agreement was made by the Illovo Sugar Group, which made a commitment to invest approximately \$40 million to expand production by 50,000 tonnes a year at its two factories in Dwangwa and Nchalo. This was driven by the government's estimation that within a 50 km radius of the mill in Dwangwa there are approximately 3,700 ha of land immediately available and suitable for smallholder sugar cultivation (Government of Malawi 2009; Chinsinga 2016).

There have been some interesting developments during this phase. As Table 3 shows, this period has witnessed limited conversion of customary land into estates but the acquisition of leases for non-agricultural estates gained considerable momentum. This is the period that officially christened land grabbing following the 2008/09 food crisis. It is not therefore surprising that corporations or expatriates dominate the ownership of estates in the greater than 500 hectare category. Besides, the country has experienced an influx of enterprising migrants especially from East and West Africa who have also been acquiring massive tracts of land from desperate locals and largely through informal means. These processes have been partly fuelled by

fears that the new land laws are designed to make it easier for government to expropriate land for sale to investors. This has invariably created panic among Malawian landowners, especially those in peri-urban areas, leading to distress sales. Of course, reacting to these developments, the new Land Act limits the land rights of non-nationals, prioritising any disposal of land to Malawians. The non-nationals would be able to acquire land only if Malawian citizens were unable to buy it. Many areas, especially those around cities and towns, are experiencing land scarcity due to rapid population growth, migration, urban expansion, and increased frequency of informal land transactions with outsiders (Mandondo and German 2015).

Perhaps in apparent reaction to the foregoing developments, it has more or less become fashionable for non-political elites – especially those holding white collar jobs – to acquire medium-sized farms, often in districts bordering the cities of Blantyre, Zomba, Lilongwe and Mzuzu. Most of these farms range between 5 and 20 hectares, which has ultimately led to the emergence of the phenomenon of 'weekend farmers'. These are farmers who do not physically do the manual labour required but rather pay others to do this for them. They visit their farms during weekends to supervise the week's work and combine this with leisure, especially on their way back to the cities. Besides reacting to the apparent foreign land invasion, these emerging farmers have been motivated by the opportunities inherent in the patronage that prevails in the agricultural sector. These farmers are better positioned because they are either decision makers themselves or are very well-connected to decision making circles that enable them to identify and exploit opportunities therein.

The majority of these farmers are engaged in maize seed production. This is big business, especially within the framework of the FISP. The major suppliers of seed to the FISP are Monsanto and Seedco. The seed growers are essentially a network of friends and associates to seed company officials. It is very difficult for a seed grower without any ties to this network to break into it. This is big business because the seed growers have a guaranteed lucrative market. Some of these farmers have ventured into legume production, taking advantage of the priorities of the NES, especially the Indian export market, even though it has since crushed. As well as growing their own legumes they are also involved in purchasing them from smallholder farmers because they have an idea of the dynamics of the export markets. Some of them grow maize for sale to the government. As decision makers in their own right (or very well-networked with decision makers), these farmers are able to benefit from the maize market, which currently does not work in favour of smallholder

farmers. These farmers sell their maize either through exports when the majority of farmers are banned, or to government when it procures for emergency food relief operations at a profit (Chirwa and Chinsinga 2015). A few others are acquiring these farms with the intention of building their retirement farms on them. This is particularly the case for those who have managed to acquire such farms in the outskirts of the major cities and towns.

These farmers are not making serious investments on these farms. Most of them rely on rain-fed farming, expressing interest in technologies, on farm investment in irrigation, storage and processing. This is the case because most of them have become involved in farming opportunistically to capture the rents that the current configuration of the agricultural sector presents. They are not driven by any particular passion or business model but simply by the possibilities arising out of the quick fortunes they can cream off from the agricultural sector, taking advantage of their position. There have, however, been some attempts to invest in some technological improvements in these farms, but this is mainly through getting equipment and machinery from the government using fraudulent means.

A clear example relates to what has now become widely known as the 'tractorgate scandal'. Through a loan from the Export-Import Bank of India, the government contracted a loan to the tune of \$50 million (Rs 695 million) to support the GBI by putting about a million hectares of farm land under irrigation and improve food security for smallholder farmers who make up 70 percent of the total population. Part of the proceeds of the loan was used to purchase 177 tractors and 144 maize shellers, but these were sold off to politicians, civil servants and businessmen at give-away prices. For example, while each tractor was bought at a cost of R740,000, they were sold off to these people at R100,000 each. According to the investigation carried out by the Ombudsman, the other beneficiaries (besides senior civil servants) included the Zimbabwe-based Bineth Farm owned by the family of former President Bingu wa Mutharika, the former Foreign Affairs and International Cooperation Minister, the Speaker of the National Assembly, and Mulli Brothers (a company with close ties to the DPP) (Government of Malawi 2016). The government, through the Attorney General, moved to quash the implementation of the recommendations of the Ombudsman's report, which, inter alia, recommended the prosecution of the implicated officials. While this group of farmers enjoys some measure of political protection, they do not themselves wield enough influence to drive any meaningful changes that would help them realise their goals and objectives. They are, to a very great extent, preoccupied with the

attempt to maintain the messy status quo because they benefit from the largesse of the current configuration of patronage networks and rent-seeking.

### **Practical constraints to large-scale agriculture**

There has, however, been a considerable mismatch between the government's articulation of its vision of large-scale agriculture as a primary driver of agricultural commercialisation and development, and its actual implementation. This apparent mismatch can be attributed to two main factors: (1) the preoccupation with the struggle to achieve national and household food security through the implementation of the FISP; and (2) resistance to land deals that would have facilitated the acquisition of land for large-scale agricultural investments under the GBI and the G8 New Alliance for Food Security and Nutrition. Although since the launch of the MEGS, government policy documents have consistently projected large-scale agriculture as the primary lever for agricultural commercialisation and transformation, the main focus has remained on ensuring that the country has enough food to feed itself, through the FISP. This has been reinforced by the recent unfavourable climatic patterns that have undermined the robustness of the FISP as a food security enhancement tool. In fact, there has been considerable debate about whether to continue with the programme, with many describing it as a fiscal drain given the host of rent-seeking activities that surround it (Chinsinga and Poulton 2014). The government has effectively resisted discontinuing the FISP while conceding to some modifications such as involving the private sector in the distribution of fertiliser (which had hitherto been monopolised by the state parastatals: namely, ADMARC and the Smallholder Farmer Fertilizer Revolving Fund of Malawi) and the increase in the farmers' contribution to almost one-third of the market price.

The government's reluctance to discontinue the FISP or substantially modify it is linked to the centrality of food security in the country's political economy. Since the introduction of the SP in the 1998/99 growing season, there has been a very strong feeling among both government officials and the populace that the government's assurance that every Malawian will be shielded from the adverse effects of hunger is an integral part of a social contract that must be honoured at all times. The government has an obligation to ensure that Malawians do not endure food insecurity by making maize affordable either through subsidising production or the market at prices they can afford (Verkerk 2007; Chinsinga 2007b).

The imperative of this social contract is reflected in the dominance of maize in the ASWAp investment

framework in spite of advice to the contrary during its preparation. ASWAp devotes as much as 85 percent of its budget to food security, risk and sustainable water management. Maize takes as much as 37 percent of proposed expenditure targeting the improvement of crops. However, if the remaining expenditures are distributed across all commodities, maize accounts for nearly 70 percent of total agricultural expenditures. The budgetary allocation to technology development and dissemination accounts for 6.2 percent of the total ASWAp budget while only 4 percent is allocated to strengthening public management systems and capacity building in the private sectors. The ASWAp allocates nothing for large-scale agriculture development. This could perhaps be justified since the expectation is that it would be almost entirely private sector-driven. A budgetary provision relating to policy issues governing large-scale agriculture development would be expected in an investment framework like ASWAp. Moreover, besides the articulation of large-scale agriculture development consistently in the policy documents over a span of a decade, there have been few (if any) public pronouncements about the government's policy on large-scale agriculture as a primary driver of agricultural development and transformation.

The relative public muteness by the government on the centrality of large-scale agriculture as the linchpin of its development strategy can be attributed to the political sensitivity of the land question. Chinsinga and Chasukwa (2015) note that there has been fierce resistance among communities against the expansion of sugar cultivation in Dwangwa, in Nkhotakota district, through the out-grower scheme managed by Dwangwa Cane Growers Limited (DCGL). It is against this backdrop that some CSOs have condemned the GBI as facilitating the dispossession of land, thereby removing the main productive asset for the majority of the rural poor in Malawi. Land-related conflicts have been sparked by the process through which DCGL is gaining access to land, resulting in extremely strained relationships between the company and the out-growers whom DCGL is recruiting in order to expand its landholdings.

The main concern, however, is that the negotiations are not held directly with the would-be out-growers but rather with traditional leaders on the understanding that they represent the interests of their subjects (Chasukwa and Chinsinga 2015; Chinsinga 2016). These transactions lack transparency and accountability and create feelings of widespread resentment among out-growers, especially when it has dawned on them that through these arrangements they have almost completely ceded control of their land to sugarcane

companies. The feeling of powerlessness is aggravated by the fact that out-growers are not allowed to opt out of their contract with DCGL until it has recovered its land development costs, estimated to take 5–10 years. These practices and other related challenges are making land acquisition under the GBI highly contentious and politically sensitive, but the government is not backing off from its commitment to large-scale agriculture as a primary driver of agriculture development and transformation as evidenced by its ascension to the G8 New Alliance for Food Security and Nutrition, which underlies its commitment to make as much as 200,000 ha of land available for private sector investment.

The situation is further exacerbated by the passing of the new Customary Land Act 2016. Parliament initially passed the new Act in 2013 but it was vetoed by former President Joyce Banda, mainly in response to mounting resistance from traditional leaders who view the provisions of the new Act as marginalising their authority over land matters (Chasukwa 2013; Chinsinga 2015b). The passing of the new Customary Land Act is a culmination of a long drawn-out land reform process that started off in 1996 with a Presidential Commission on Land Inquiry to address the structural iniquities and imbalances in land ownership patterns that resulted from the 1967 land reforms. The new Customary Land Act 2016 is one of the ten land-related laws that are designed to replace the 1967 Land Act. These include the following: Land Bill, Physical Planning Bill, Land Survey Bill, Local Government Bill (Amendment), Public Roads (Amendment), Registered Land Bill, and Land Acquisition Bill (Amendment). The Customary Land Bill builds on the 2002 land policy, which collapsed the three land categories provided for under the 1967 Land Act into two broad categories, namely: private and public land. The implication of this classification is that customary land is considered to be vacant and unallocated. This means that the customary claims of landholders who occupy or use the land are not recognised in law or in practice, which has turned out to be the main basis for the conflicts (Kanyongolo 2005; Chinsinga and Chasukwa 2015).

The new Customary Land Act makes provision for customary land owners to register their land and own it as private property. The underlying intention of the land reforms is to transform the entire country into a planning area. There are several provisions that have attracted and continue to attract resistance even long after the Bill has been assented to by the President. Traditional leaders are protesting the provision that transfers land administration to a village committee with equal representatives of men and women. The chiefs will serve as chairpersons of these committees.

The chiefs consider this arrangement as being geared toward usurping their authority. Coupled with the ultimate goal of transforming the entire country into a planning area, the chiefs argue that this institutional arrangement is a strategic ploy meant to eventually abolish chieftaincy. This is reflected in the following sentiments of some chiefs: 'we believe that land is the basis of any chieftaincy as such depriving us of land is the same as dethroning us' (Weekend Nation, 10 December 2016). One of the prominent chiefs argued that 'the law tampers with cultural heritage. What is chieftaincy without power to rule over land?' (The Daily Times, 5 October 2016). The fear expressed by chiefs is that the land transaction committees might eventually claim full autonomy on matters of land administration at their expense.

Another contentious issue relates to the requirement for local Malawians to pay annual land rent once they have registered their customary land. This is deemed unacceptable, with many traditional leaders arguing, 'we can't be made to lease our ancestral land from government' (The Daily Times, 19 September 2016). The major concern, however, is that the new land legislative framework is 'aimed at giving foreigners leeway to own vast tracts of land at the expense of the poor locals' (The Nation, 22 November 2016). This belief is further fostered by the fact that the 'Bill [Customary Land Bill] does not give powers to the Judiciary to settle disputes arising out of land issues save the President, the Minister of Lands and the Director of Lands... there will be no room for arbitration by our courts because the Bill (now law) exempts all land issues from being heard by our courts' (The Daily Times, 19 September 2016).

The position of government and other supporters of land-related laws is that the land reforms as framed are imperative. The President's argument is that 'Malawi can only develop if it urgently develops key [land] reforms that will ensure strong legal and institutional framework' (The Nation, 10 August 2016). The Minister of Lands, Housing and Urban Development described the land-related laws as 'a hallmark of decentralization as they reduce government interference in land matters since the Bills transfer power to administer and manage land to chiefs' (The Nation, 15 November 2016). Therefore, rather than complaining that the new land laws erode their powers, 'the traditional leaders should be happy that they will become chairpersons of land committees which offer greater scrutiny as well as checks and balances' (The Nation, 3 August 2016). Supporters of the land-related laws further project them as a springboard for decentralising land administration to the local level, in which case 'the land administration becomes transparent and not just the responsibility

of one person, who may be corrupt, drunk or unfit for public office' (The Daily Times, 5 October 2016).

This rhetoric is difficult to reconcile with the government's commitments expressed in some of the policy documents espousing its strategies for promoting large-scale agricultural development (Chinsinga 2016). In the GBI, the government explicitly states that it will facilitate the acquisition of land for private investors but does not indicate where this land will come from and how exactly it will be acquired. In its ascension to the G8 New Alliance for Food Security and Nutrition, the government commits itself to adopt a new land Bill and conduct a survey to identify unoccupied land, both customary and leasehold, as well as to determine crop suitability with the view to setting aside 200,000 ha for large-scale commercial agriculture by 2018 (Orama and Wijeratna 2014). Moreover, some of the critics of the G8 New Alliance for Food Security and Nutrition contend that the reforms required on the part of participating countries are meant to make it easier for investors to access and acquire land for development for commercial agriculture. The protests against the new customary land law, led by traditional leaders, continue even after the President assented to it. The demand by the protestors is that the customary land law should be repealed and fresh consultations should be carried out to determine how it will be framed. If the law is not repealed, some chiefs have promised violent disobedience against its implementation (The Daily Times, 1 December 2016). The unsettled land question therefore poses serious challenges to the implementation of the government's vision of large-scale agriculture as the most viable pathway for promoting agricultural commercialisation, culminating in fundamental and sustainable transformation.

Three distinctive narratives about agricultural commercialisation can be identified in this phase. Building on the joint public and private sector diagnosis, the MEGS identified large-scale agriculture as a viable pathway for fundamental agricultural transformation, embedding smallholder farmers within this framework either through contract farming or out-grower schemes. This narrative has been consistently articulated in all subsequent major policy documents, with the NES projecting the emphasis on large-scale agriculture as a paradigmatic shift in the efforts to build a productive base of the economy. Donors are supportive of this paradigmatic shift within the framework of the G8 New Alliance for Food Security and Nutrition but there are challenges arising from the unsettled land question and the government's apparent preoccupation with guaranteeing food security at the household and national levels. Meanwhile, some elites (mainly

white collar employees) have taken advantage of the impasse to create medium-size commercial farms by 'grabbing' land from their rural compatriots. Referred to as weekend farmers, these emerging farmers are exploiting their social, professional, economic and political ties to cream off rents within the agricultural sector that support their conspicuous consumption patterns.

There is a group of donors who contend that smallholder agriculture commercialisation can be achieved through deliberative efforts to spur market development. The underlying argument is that efforts to stimulate smallholder farmer-driven agricultural commercialisation cannot take off the ground let alone be sustained without them having access to lucrative markets. These donors, however, diverge in terms of how markets can be developed in order to create a conducive environment for market-driven agricultural development. The first set of donors (such as USAID and the World Bank) believe that the FISP can be used to facilitate the development of markets through agro-dealers who would help develop a network of input as well as output markets, even though to a limited extent in their early phases of operation. The second set of donors believe that agricultural commercialisation, especially among smallholder farmers, can be kick-started and sustained through strategic development of and promotion of farmers' access to structured markets. These markets would prevent smallholder farmers resorting to distress sales at the beginning of the harvest season when prices are low. Structured markets would, in the view of these donors, help bridge the financing gap that often characterises smallholder farmers, which invariably traps them in the vicious cycle of debt.

### **Winners and losers in this phase**

The major winner has been the government, especially in being able to continue with the implementation of the FISP, which has been and continues to be a contentious subject of discussion between donors and the government, even within the government itself and between the government and CSOs, including the private sector (Chirwa and Dorward 2013). The pressure to discontinue the FISP has been mounting, especially in recent years following its lacklustre performance, compounded by erratic climatic patterns and reports of corruption and patronage. The government is the winner because of the huge symbolic significance of the FISP within the context of the country's political economy, even though the majority of smallholder farmers continue to grapple with pervasive chronic food insecurity. Donors have made some gains in pushing for reforms that attempt to infuse market orientation in the

implementation of the FISP, which is a predominantly welfare-driven intervention. Another group of winners are professional white collar employees who are exploiting the virtual impasse for their own selfish ends. They are grabbing land from their rural compatriots and converting it into medium-sized commercial farms, strategically positioning themselves to benefit from rampant patronage within the agricultural sector. They are supporting the status quo because it offers them huge opportunities to cream off decent rents from the prevailing mess in the agricultural sector.

The main losers are the smallholder farmers, especially within the context of the government's determination to promote large-scale agriculture as the backbone of the country's agricultural sector. This initiative, as intimated in the GBI and the G8 New Alliance for Food Security and Nutrition, requires that land be made available for investment by private sector actors. The land reforms have been completed to facilitate the acquisition of land within a legitimate legislative and institutional framework. The smallholder farmers are losers because the land reforms completed by the enactment of 10 related land laws did not address the structural imbalances and iniquities created by the 1967 Land Act, which allowed one-way transferability of land from the customary sector to the estate sector. The land reforms have marginalised smallholder farmers further in terms of land ownership since they are targeting principally facilitating acquisition of land from this sector, which had been the subject of marginalisation under the auspices of the 1967 Land Act.

The smallholder farmers are also losers because they are being subjected to 'land grabs' by their own urban-based compatriots who are turning these tracts of land into medium-sized commercial farms to promote their own selfish ends. In most cases, the smallholder farmers are transitioning from owning land to being labourers on their own land, working for their urban compatriots. Since these 'weekend farmers' are invading rural areas at a rapid rate, the whole next generation of smallholder farmers whose land has been grabbed is being consigned to a livelihood of poverty since land remains the only worthwhile asset for the majority of people in rural areas.

### **3.4 Up close with maize and tobacco value chains**

There are striking continuities and discontinuities in the nature of micro and macro political economy dynamics for maize and tobacco across the different phases of agricultural commercialisation. The apparent continuities in the case of maize underlie its centrality in the country's political economy (Verkerk 2007; Chirwa and Chinsinga 2015). Maize is described as a strategic

crop hence it has to be protected in order to guarantee food security at both household and national levels, even though on paper maize is supposed to be traded liberally.

The centrality of maize in the country's political economy can be traced back to the presidency of Dr Banda. Maize was the linchpin of Dr Banda's policy on food self-sufficiency, which was anchored by the smallholder sector. While the estate sector focused on the production of lucrative export crops, smallholder farmers cultivated maize predominantly for own consumption, although those with surplus could sell to ADMARC. Even though there were significant variations in production costs for maize across the country, Dr Banda maintained pan-seasonal and pan-territorial pricing of maize until this was replaced with a price band in 1996 (Chirwa and Zakeyo 2006). Dr Banda effectively resisted the liberalisation of maize pricing even after the country had subscribed to the implementation of SAPs in the agricultural sector. His regime still controlled the prices of maize and maintained some measure of subsidies towards its cultivation. His belief was that episodes of food insecurity on a regular basis would disrupt the country's social fabric and culminate in political instability that would undermine the stability of his government (Kydd and Christiansen 1982; Christiansen and Stackhouse 1987; Harrigan 2003). This explains, to a large extent, the implementation of SAPs in the agricultural sector in a characteristically stop-and-go fashion to protect the production of maize, primarily in the interest of political stability.

A change of government in May 1994 allowed for the swift implementation of SAPs, which included the total removal of subsidies, the devaluation of local currency and abolition of credit facilities for smallholder farmers (Chirwa 1997; Chinsinga 2005b). It did not take long for the new political elite to realise the centrality of maize production in the country's political economy. Farmers' production deteriorated dramatically and inflation was spiralling out of control, worsening the food security situation, which threatened political stability. There were growing and widespread feelings of discontent with the new political dispensation. These developments prompted an immediate return to the national food self-sufficiency policy that has seen the country implementing various forms of subsidies such as SP, TIP, ETIP and FISP, accompanied by the introduction and administration of the price band and government interventions, especially in relation to pricing of maize during lean seasons and food crises (Chirwa and Chinsinga 2015).

The 2008/09 global food crisis provides a classic case of the centrality of maize in the country's political economy. The paradox is that the country experienced

a food crisis during a year when it had reportedly produced a record surplus under the auspices of the FISP (Chirwa 2009). The government even entered into an export contract with Zimbabwe to supply it with 400,000 metric tonnes of maize. The government could not honour this contract because after supplying Zimbabwe with about 300,000 metric tonnes, domestic maize prices shot to a historic high of MK 90 per kg, signalling scarcity (Chirwa and Chinsinga 2015).

The government reacted by introducing the maize price band, pegging the producer price at MK 45 per kg and consumer price at MK 52 per kg, but this proved to be ineffective. Chirwa (2009) attributed the ineffectiveness of the price band to several reasons, which include: (1) the ability of the government to enforce the price band due to lack of relevant instruments; (2) the price band is often set when the maize prices are above the maximum price; (3) ADMARC lacks adequate financial resources to defend the price band effectively; (4) the price band is often too narrow, offering little margins to traders; and (5) there is no statutory provision for the strategic grain reserves for the purposes of stabilisation of prices. The government further intervened through domestic and international trade restrictions. The domestic restrictions in maize trade designated ADMARC a sole buyer of maize from farmers as well as sole seller of maize to consumers at the prescribed government price (Chirwa and Chinsinga 2015). The international maize trade restriction was justified as a means to stop unscrupulous traders – most of them allies of the opposition political parties – from depleting the country's grain reserves. These bans did mask the underlying motives of the politicians. Traders closely allied to politicians and politicians themselves continued to trade in maize both domestically and internationally, making supernormal profits out of the maize scarcity. Rent-seeking activities around maize have become systematically entrenched among politicians and their close allies for their own personal gains (Mangisoni 2007; Chirwa and Chinsinga 2015).

The political economy of maize has invariably led to maize markets being highly volatile. Maize prices are highly unpredictable, which forces the majority of people in the country to strive to provide their own maize even though it is not economically viable for them to do so (Chirwa and Dorward 2013). This plunges them into the low maize productivity trap, which makes this country consistently prone to episodes of chronic food insecurity. This is why it is argued that although subsidies lead to some kind of food self-sufficiency, maize production does not directly contribute to GDP growth and is very vulnerable to increasing world market prices for inputs, particularly for imported fertiliser. The paradox is that although maize is essential to the welfare

of Malawians, it does not contribute much to GDP or economic growth due to the majority of the crop being consumed domestically often before it is marketed (Lea and Hanmer 2009). It is actually estimated that only 10–15 percent of the total maize crop in Malawi is sold, which is a significant factor for Malawi's long-term growth (World Bank 2007; Verkerk 2007).

Tobacco, especially burley tobacco, was designated as a protected crop immediately after switching to estate agriculture as the backbone of the country's development strategy in the late 1960s. This was further affirmed by the enactment of the 1972 Special Crops Act, which restricted the cultivation of burley tobacco to estates owned largely by a privileged elite comprising politicians, chiefs, senior civil servants and parastatal employees, and military officials, including police and MCP's paramilitary wing, MYP (Verkerk 2007; Kwengwere 2011). The elite crafted labour and education policies in a manner that supported the rapid expansion of estate agriculture by guaranteeing the availability of a pool of cheap labour through the visiting tenant system (Kishindo 1997; Chinsinga 2007a). A robust institutional framework was put in place to promote and guarantee quality export leaf. The estates were given specific quotas of tobacco that they were expected to produce as a way of controlling supply; most of the leading tobacco estates, especially those belonging to Dr Banda, were managed by expatriates drawn mostly from South Africa, and proper handling processes (grading and packaging) of tobacco for sale to the auction floors were strictly enforced (Chirwa 2011; Chinsinga 2016). The combination of these factors led to the flourishing of the tobacco sector, yielding decent returns for the political elite and their allies.

This institutional framework disintegrated as soon as there were some changes of the political elite at the helm following the transition to democracy in May 1994. The succeeding political elite did not have interest in large-scale, burley-driven agricultural estate agriculture; they were primarily interested in commerce and industry (Chinsinga 2002; Lwanda 2006). They instead presided over the dismantling of the institutional framework that ensured the production of high-quality tobacco principally through the repeal of the Special

Crops Act in 1996. This allowed everyone to cultivate tobacco and the proliferation of middlemen, most of them without any prior experience in handling tobacco. This led to over-production and a dramatic decline in the quality of tobacco brought to the auction floors. This, in turn, led to the progressive decline in the prices of tobacco that has essentially left the tobacco industry in Malawi more or less in a state of flux. The policies implemented governing the tobacco sector post-May 1994 were largely driven by patronage considerations rather than the achievement of outcomes that would revive the fortunes of the tobacco sector (Booth et al. 2006). For example, in the 2002/03 growing season, a presidential directive was passed to allow one of the tobacco companies to bypass the auction floors for flue-cured tobacco. While it may have been a desirable change, the concern is that this policy change was based on personal deals between people in the regime and in some commercial companies. It was not the result of policy analysis or a development vision for the sector. Moreover, some of the policies implemented were meant to undercut the power base of the one-party elite whose political power was directly linked to accumulation within the agricultural sector.

The reconfiguration of the political elite since May 1994 has not augured well for the tobacco sector although there have been efforts to revive this sector. These efforts are taking place alongside efforts to find a potential replacement for tobacco. There has not been much progress because most of the contemporary elites do not have considerable stakes in the agricultural sector. These elites are predominantly engaged in rent-seeking activities revolving around government tenders and contracts as well as project interventions bankrolled by donor aid. The search for an alternative to tobacco is mainly motivated by the desire to counter the worsening foreign exchange crisis, which would give the elite some 'wiggle' room from the watchful eye of the donors whom some political elites have described as 'control freaks'. These donors thus make it difficult for patronage activities to thrive, which have become the basis for the country's politicians in acquiring and maintaining political power.

## 4 CONCLUDING REMARKS

This paper has examined the evolution of agricultural commercialisation both in a historical and contemporary context over the past three or so decades. Three distinct phases can be identified: (1) estate-smallholder agriculture phase (1964–1994); (2) failed smallholder commercialisation phase (1994–2009); and (3) rhetoric large-scale agriculture phase (2009 to date). The major finding of this paper is that these different phases of agricultural commercialisation have largely been shaped by the prevailing configurations of political elites and their underlying interests, motivations and incentives, including the influence of donors. The influence of donors has been particularly important since the turn of the 1980s, when Malawi turned to the Bretton Wood institutions for financial bailout. Prior to that period, Dr Banda had total control over Malawian society and shaped, almost single-handedly, the country's strategic development agenda and the utilisation of any external assistance (Verkerk 2007; Kwengwere 2011).

The paper reveals that the nature of agricultural commercialisation debates in Malawi are heavily influenced by the land question and the quest for national and household food security. The land question remains very much unsettled to date. It has been particularly important in the primacy of the estate-smallholder agriculture phase (1964–1997) and in the return to the large-scale agriculture phase (2009 to date). The land question was key in the estate-smallholder agriculture phase because the political, economic and social elites needed to acquire as much land as possible to facilitate the expansion of estate agriculture as the backbone of the country's agriculture sector. This was facilitated through the 1967 Land Act, which allowed only for one-way transferability of land from the customary to the estate sector. This ultimately culminated in millions of hectares of land being annexed from smallholder farmers. The enduring legacy of this strategy is that the average land holding per capita among smallholder farmers has dwindled to as low as 0.33 ha (National Statistics Office 2014).

The question similarly lies at the heart of the current phase of agricultural commercialisation, which also prioritises large-scale agriculture as a meaningful and viable pathway to agricultural commercialisation. The success of the contemporary phase of agricultural

commercialisation is largely dependent on the private sector acquiring tracts of land that can be used for large-scale farming, with smallholder farmers embedded either through contract farming or out-grower schemes (Kumwenda and Madola 2005; Chirwa and Matita 2012). It is against this backdrop that the GBI commits government to facilitate the acquisition of land for private sector actors to utilise for large-scale commercial farming. This commitment is further reaffirmed within the framework of the G8 New Alliance for Food Security and Nutrition, whereby the government is expected to make available 200,000 ha of land for private sector investment by 2015. This required the enactment of a new land legislative framework to address the inequities and structural imbalances created by the 1967 Land Act.

The paradox is that the land reforms, which started as early as 1996 and were concluded in 2016 with Parliament passing 10 related land laws, did not fully address the challenges brought about by the 1967 Land Act. The focus is primarily on how to create a robust land market that can make available massive tracts of land from the customary sector for private sector investment (Kanyongolo 2005; Chinsinga 2015a). The land question remains unsettled because most rural communities, led by their chiefs, are protesting the new legislative land framework. This has created a very tense atmosphere that is making it rather challenging for the government to forcefully roll out its vision of large-scale agriculture as the primary driver of agricultural commercialisation. The government is thus being held back by the apparent political sensitivity of the land question on which its success is greatly dependent.

The question of food security has been a constant feature across all the phases of agricultural commercialisation. In the primacy of estate agriculture phase, the emphasis was on achieving food security through food self-sufficiency both at household and national levels. Through some kind of support, smallholder farmers were cultivating maize that ensured food security as the basis for political stability, which was key to the success of the estate agriculture-driven development strategy (Kishindo 1997; Verkerk 2007; Kwengwere 2011). The smallholder farmers were, however, heavily taxed through a system of pan-territorial and pan-seasonal

pricing through ADMARC, whose profits were used to subsidise the rapid expansion of estate agriculture.

In the failed smallholder commercialisation phase, the question of food security was at the centre of the debate about how it can be achieved through smallholder farmers relying on the market. This could be achieved through allowing smallholder farmers to cultivate burley tobacco, which had up to then been denied under the auspices of the Special Crops Act, 1972 (Harrigan 2001; Chinsinga 2002). The underlying argument was that the policies of Dr Banda's government had created enormous disincentives among smallholder farmers. While the initial response from the smallholder farmers was impressive, the benefits therefrom could not be sustained because of serious land shortages occasioned by massive land transfers to the estate sector under the auspices of the 1967 Land Act, coupled with rapid population growth averaging around 3.2 percent per annum (Orr and Orr 2002; Chirwa and Zakeyo 2006). The outcome of this initiative was chronic structural food insecurity, worsened by the progressive deterioration of tobacco prices due to over-production, low quality leaf and the apparent hijack of the initiative by unscrupulous private traders or middlemen.

The political elite that were at the helm of government during the failed smallholder commercialisation phase were not interested in agriculture; they were predominantly interested in business (Chinsinga 2002; Lwanda 2006). Consequently, they did not pay much attention to policies in the agricultural sector. They implemented them largely as a basis of political patronage and undercutting the power of the one-party political elite. The new elite presided over the swift implementation of SAPs, which dismantled the one-party productive institutional framework, culminating in the incidence of chronic structural food insecurity. This forced the new political elite to reintroduce subsidies as a way to guarantee food security and sustain the democratic political project. The vocabulary of agricultural commercialisation on the part of the government more or less disappeared both because food security reasserted itself as the dominant issue and the elites at the helm of government were fundamentally not interested in obtaining wealth primarily through agricultural production. This left some NGOs and donors to champion commercialisation initiatives that were largely focused on linking farmers to markets, which had more or less been decimated during the swift implementation of SAPs.

The question of food security continues to dominate even in the rhetoric large-scale agriculture phase of commercialisation. The provision of subsidies has catapulted food security to the heart of the country's electoral politics (Chinsinga 2012). Subsidies have

become a critical variable in the social contract between the government and the people. Thus although the government is expressly committed to large-scale agriculture as a catalyst for agricultural commercialisation, concrete steps have not been taken because it is overwhelmed by the implementation of the FISP. Most government resources are allocated to its implementation at the expense of other policy initiatives such as the promotion of large-scale agriculture development, especially in terms of spelling out the enabling policy environment. There is a carryover of narratives from the failed smallholder commercialisation phase that attempt to promote market initiatives to fill the void created by the liberalisation of the agricultural sector targeting both small-scale and large-scale producers. These initiatives are seen as a viable strategy to kick-start and sustain agricultural commercialisation in the country (Jayne et al. 2014).

The paper further demonstrates that the commercialisation agenda is dictated by the primacy of politics over ideas, which makes it extremely difficult for policy makers to forge ahead with the practical implementation of certain ideas because they are generally seen as being less politically expedient. The push for full-scale liberalisation of the agricultural sector started during the tenure of President Dr Banda in the early 1980s but this was not fully implemented until the transition to democracy in May 1994. So although the underlying policy intent of SAPs was to improve the production and price incentives for smallholder farmers as the principal locomotive for agricultural commercialisation, the leadership of the one-party regime strategically resisted this push through various strategies. During this period, estate agriculture remained the principal strategy for achieving agricultural commercialisation. The liberalisation of the cultivation of burley tobacco, which was regarded as the linchpin for the smallholder-driven agricultural commercialisation strategy, was only implemented after the change of government in May 1994 and hence the basis for political power and patronage for the incumbent regime.

The swift implementation of SAPs as a strategy for commercialisation did not last. The liberalisation of the cultivation of burley tobacco among smallholder farmers did not produce the intended outcomes due to challenges outlined elsewhere in this paper. The politics and the practical realities quickly demanded the return to prioritising food self-sufficiency through improving own production as a strategy for ensuring food security at national and household levels. This was imperative because by the end of the 1996/97 growing season, there were signs that mounting food insecurity could undermine the country's new democratic project, which had been enthusiastically embraced as a magic

bullet for dealing with the socio-economic ills that Malawians had endured during the authoritarian one-party regime. It is therefore not surprising that this phase was, to a very great extent, characterised by the debate over whether or not SAPs had succeeded or failed to kick-start sustainable agriculture production, especially among smallholder farmers (Chirwa 2006; Masanjala 2006). Donors, led by the IMF and World Bank, argued that SAPs had not failed to stimulate agricultural production among smallholder farmers. They attributed the appearance of failure to the partial liberalisation of agricultural markets, which had not been fully implemented as ADMARC continued to play a significant role in the marketing of smallholder produce (Chirwa et al. 2008). The alternative view, supported mainly by scholars (cf. Harrigan 2003; Chirwa and Dorward 2011; Jayne et al. 2014), contends that SAPs failed mainly because they ignored the importance of market coordination and the positive role the state plays in kick-starting agricultural development in thin markets.

There is very strong evidence that President Mutharika was interested in large-scale agriculture as a strategy for agricultural commercialisation. This can be traced back to the time when he was the Minister of Economic Planning and Development in the early 2000s. He could not implement this particular strategy immediately as he ascended to power in 2004 because the food security situation dictated the implementation of the FISP, which basically prioritised smallholder farming. He could only do so after 2009 having somewhat fixed the food security crisis and secured an overwhelming electoral mandate in the May 2009 general elections. The primacy of large-scale agriculture as a strategy for agricultural commercialisation has been consistently emphasised in various documents, including the ascension to the New Alliance for Food Security and Nutrition. Its full-scale implementation has, however, been constrained by the politics of the land question. The success of large-scale agriculture as a strategy for agricultural commercialisation is greatly dependent on the availability of land to private investors. Finding land for private investors is not as easy as projected in the policy documents. The land question as demonstrated in this paper remains highly contested, even though a series of land-related bills have been legislated into law. The land question is thus yet to be resolved once and for all in order to create a milieu that would facilitate the achievement of agricultural commercialisation in Malawi on a substantial scale and sustainable basis.

There have been winners and losers in each phase of agricultural commercialisation, as identified in

this paper. Some of the stakeholders have been winners in one phase and losers in other phases. It is, however, very clear that the biggest losers have been smallholder farmers, who have largely been at the receiving end of the land question that has shaped and continues to shape and influence debates about agricultural commercialisation. The political elites have been very critical in terms of determining the trajectory of agricultural commercialisation, although donors' influence has been quite significant, especially during the post-May 1994 period when the government generally failed to show firm policy leadership in the agricultural sector.

The common theme running through all these phases of agricultural commercialisation is the way in which the sector has been subjected to, and manipulated by, politicians as a source of patronage to bolster their political power. Several efforts have been undertaken in all different phases to drive agricultural commercialisation but they have almost as a matter of routine been undermined by patronage schemes engineered by the governing elite and exploited by various elites for their own goals. While efforts are made to promote agricultural commercialisation among both smallholders and large-scale farmers, the former emerge almost always as big losers because the elites often find creative ways of creaming off rents from initiatives implemented in the agricultural sector.

The major distinguishing factor between the initial and subsequent phases is that in the initial phase, the management of rents was centralised and guided by a vision to achieve particular goals and objectives in the agricultural sector. The management of rents in the subsequent phases has been widely decentralised, and it is characterised by patronage driving policy and not the other way round, which was the case in the initial phase. This has created a state of flux in which the agricultural sector is no longer primarily driven by the desire to enhance productivity through sustainable structural transformation but rather to cream off rents from predominantly non-productive activities such as contracts for procurement and transportation of inputs, claiming bloated allowances, and preying on machinery and equipment procured for purposes of promoting agricultural development in the country. So while issues of land and food security have shaped the trajectory of agricultural commercialisation in Malawi, thinking through the possible future pathways of agricultural commercialisation requires confronting head-on the pervasive patronage that has become deeply entrenched in the agricultural sector.

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