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Two Steps Forward, One Step Back

The Limits of Foreign Aid on Malawi’s Democratic Consolidation

Danielle Resnick*

March 2012

Abstract

Since the era of one-party rule, Malawi’s relationship with the donor community has proved erratic and contentious. During the second term of Malawi’s current president, Bingu wa Mutharika, this trend has continued apace, with important implications for the consolidation of the country’s nascent democracy. Donors providing democracy aid have assisted with the conduct of elections and improved the technical capacity of parliamentarians. However, inconsistency across programme cycles, the concentration of funding around elections, and a reluctance to support political parties hinders the size of democracy aid’s long-term impact. Development aid, particularly general budget support, has tended to further sideline the role of parliament and indirectly has provided the incumbent party with an electoral advantage through support for the country’s …

Keywords: democratic consolidation, donor relations, foreign aid, general budget support, Malawi

JEL classification: D72, F35, N47
… fertilizer input subsidy programme. To prevent an erosion of democracy caused by violations of civil liberties, donors often have threatened to withhold aid to Malawi. Yet, they frequently only proceed with these threats when concurrent concerns exist over economic governance, including corruption and management of the exchange rate.
1 Introduction

In June 2011, Malawi’s former Minister of Finance, Ken Kandodo, presented a ‘zero-deficit’ budget to parliament. Admitting that there was uncertainty regarding the level of foreign aid that development partners would provide in the forthcoming fiscal year, he noted that Malawians would have to make up the shortfall in donor financing through value-added taxes on consumer goods and new taxes on businesses (see MoF 2011). The current president, Bingu wa Mutharika, later added that the zero-deficit budget would allow Malawi to prosper without ‘begging’ from donors (cited in Wroe 2012: 139).

Such statements evoke a strong sense of déjá vu, harkening back a decade earlier when donors suspended foreign aid due to economic mismanagement and attempts by then-President Bakili Muluzi to amend the constitution in order to stand for a third term. Indeed, Malawi’s relationship with the donor community, across a number of successive governments, has been characterized by alternating periods of close collaboration and mutual distrust. Fissions in the party system, the logic of the political business cycle, and a growing gap between rural and urban Malawians have partially contributed to political manoeuvres and economic decisions that prove anathema to donors. At the same time, donor reactions to such decisions have an especially potent influence on Malawi due to the country’s heavy dependence on foreign aid.

With 74 per cent of the population living below the dollar-a-day poverty line and 80 per cent of Malawians residing in rural areas, the country remains a predominantly poor and agrarian economy that relies heavily on dwindling earnings from tobacco exports (IMF 2007). Consequently, the level of aid as a share of Gross National Income (GNI) has averaged around 24 per cent over the last twenty years.1 As of 2010, the country received approximately US$600 million in foreign aid, with grants accounting for 35 per cent of the central government’s revenue (EIU 2011a).

This study examines how Malawi’s political and socioeconomic landscape have intersected with its high dependency on foreign aid and in turn shaped the country’s democratic trajectory. While aid played an important role in encouraging the country’s transition to multi-party democracy in the early 1990s, its impact on democratic consolidation is more mixed. With respect to ‘deepening democracy’, I find that democracy assistance has helped the conduct of elections and provided training for parliamentarians, but inconsistency across programme cycles, the concentration of funding around elections, and a reluctance to support political parties hinders the size of democracy aid’s long-term impact. Development assistance, particularly budget support, has tended to further sideline the role of parliament and has indirectly provided the incumbent party with an electoral advantage through support for the country’s fertilizer subsidy programme. In terms of preventing an erosion of democracy, I find that donors often have threatened to withhold aid when the government has violated civil liberties, but they frequently only proceed with these threats when concurrent concerns exist over economic governance. Moreover, aid withdrawals have only proved effective when the country’s largest donors have been involved.

1 This data is from the World Bank’s World Development Indicators.
To elaborate on these findings in greater detail, the following section briefly discusses the impact of foreign aid on Malawi’s democratic transition in the early 1990s. Subsequently, I discuss features of the political landscape and donor-government relations under the country’s first president of the multi-party era, Bakili Muluzi. I then show the differential influence donors have demonstrated with respect to strengthening parliament, supporting competitive party systems, and encouraging respect for civil liberties more recently under President Mutharika. In doing so, I utilize semi-structured interviews with members of the donor community, civil society organizations, and government officials. The final section concludes by emphasizing factors that have facilitated and hindered aid’s impact on democratic consolidation in Malawi and discusses policy implications.

2 Foreign aid and Malawi’s democratic transition

Like many other African countries, Malawi experienced a long period of one-party rule, lasting from 1966 until the country’s first multiparty elections in 1994. 2 During these thirty years, the country was under the brutal grip of ‘President for life’ Hastings Kamuzu Banda, leader of the Malawi Congress Party (MCP). Banda’s rule was characterized by the suppression of a broad range of civil liberties and any form of political dissent. Donor behaviour was highly erratic during this period. For instance, the United States protested the detention of political dissidents in 1990 but nonetheless rewarded Malawi for its economic reforms by cancelling US$40 million in bilateral debt during the same year (Brown 2004). Likewise, the World Bank approved US$508 million in 1990 to support Malawi’s economic recovery programme (van Buren 2000). Just a year later, however, a meeting of the Commonwealth Heads of State denounced human rights abuses in the country, and in November 1991, the European Community (EC) established a strict set of conditions on political and human rights for aid recipients in the future (Newell 1995). Norway then fully terminated its aid programme, citing human rights abuses, and the United Kingdom reduced aid by US$8 million (Brown 2004; Ihonvbere 1997).

Banda’s reaction to a number of significant domestic events further increased donor dissatisfaction with the regime. In March 1992, eight Catholic bishops released a letter that criticized growing inequality within the country, inadequate services, and the lack of freedom of expression and association (Newell 1995). The government responded by placing the bishops under house arrest. One month later, Chakufwa Chihana, a trade unionist and opposition party leader, returned to Malawi from Zambia and faced immediate arrest and detention (Roessler 2005). The harsh response of Banda’s regime to both the bishops and Chihana, combined with drought conditions and high levels of inflation, only served to fuel popular discontent with the status quo. Consequently, violent protests erupted in May 1992 in Blantyre and Lilongwe, which resulted in the deaths of approximately 40 people at the hands of the police and army (Gordon-Bates 1992).

The Consultative Group of Donors, who met in May 1992 under the auspices of the World Bank, responded to these actions by refusing the Malawian government’s request for US$800 million in balance of payments assistance. Instead, the donors stated they

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2 Banda came to power in 1966. In 1971, Banda’s MCP became the sole legal party in the country. In the same year, the MCP amended the constitution to allow Banda to be president for life.

Banda finally relented a few months later and agreed to a referendum in June 1993 on whether Malawi should change its constitution to permit a multi-party system. Overwhelming support by Malawians for a multi-party system resulted in the passage of the Registration of Political Parties Bill in 1993, which allowed political parties to be established and registered (Khembo 2005). The two main opposition parties that benefited from this newfound party environment were the Alliance for Democracy (AFORD), which was founded under the chairmanship of Chinana, and the United Democratic Front (UDF), which was established under a former MCP member and businessman, Bakili Muluzi.

Many donors began restoring aid after the 1993 referendum, especially given that the government had also released a number of political prisoners and repealed some repressive laws (Brown 2004). Donors subsequently facilitated the conduct of elections in May 1994, especially by funding the creation of Malawi’s Electoral Commission (MEC). The elections were generally deemed ‘free and fair’ by both local and international observers (Khembo 2005). By obtaining 47 per cent of the vote, Muluzi emerged as the winner and thereby ended Banda’s thirty-year rule. Thus, Banda’s decision to ultimately allow multi-party competition has led many observers to conclude that Malawi is a clear case where donors used their leverage to successfully force a democratic transition (see Brown 2004; Burnell 2000; Roessler 2005; van Donge 1995).

3 The Muluzi years: uneven consolidation and erratic donor relations

Muluzi’s presidency set the scene for Malawi’s subsequent experience with democracy and its relationship with the donor community. The country never experienced democratic breakdown and continued to hold multiparty elections without interruption. Yet, under Muluzi’s tenure, which lasted from 1994 until 2004, executive power remained centralized, personalized parties persisted, civil liberties and opposition parties were stifled, and constitutional limitations on power received minimal respect. At the same time, the proliferation of large-scale corruption affected the management of the macro-economy.

Specifically, Malawi’s new political parties remained entirely associated with the personality of their party leaders, offered little differentiation on policy positions, and possessed few mechanisms for internal democracy. This was perhaps most extreme in the case of the UDF, which was almost entirely financed by Muluzi (VonDoepp 2005). Therefore, those with dissident views could never advance within the party, and conventions to elect the party leader never occurred until 2003. In the case of the MCP, party conventions often were characterized by internal divisions and conflict (Patel and Mpesi 2009).

In addition, the centralization of the executive during this period was notable. Article 78 of the new constitution adopted in 1994 designated the President head of state, head of government, and commander-in-chief of the armed forces. Following the British model, cabinet members could also be members of parliament (MPs), which effectively reduced the parliament’s ability to serve as a check on the executive (Patel 2005). While
parliament remained responsible for approving bills and passing the budget, MPs lacked adequate resources for research into the details of the legislation that they were responsible for approving (see Rakner et al. 2007). In 2000, Muluzi also began undermining Malawi’s movement towards political decentralization by attempting to amend the Local Government Act in order to allow him to appoint and remove local government officers (VonDoepp 2005).

Most notably, respect for the constitution was erratic and self-serving. Shortly after his re-election in 1999, Muluzi began lobbying to change the constitution in order to run for a third term in office. Nevertheless, he adhered to other elements of the constitution, notably Section 65, which removes parliamentarians who cross the floor to join another political party. By instituting Section 65 in 2001, Muluzi could ensure that MPs, particularly UDF and AFORD MPs who opposed his third-term bid, left parliament and therefore would have no influence on the outcome (Chinsinga 2009; Patel 2005). Not long thereafter, three judges on the High Court were threatened with impeachment for favouring the opposition’s view that a third-term bid was unconstitutional (EIU 2002a). In the midst of widespread discontent, particularly amongst civil society groups and the churches, the President decided in late May 2002 to ban all demonstrations against his third-term bid (Rubin 2008). Police also arrested any individuals found with anti-third-term material, and opposition newspapers were targeted (VonDoepp 2005). When parliament finally voted on the constitutional change in July 2002, the bill failed by only three votes to obtain the necessary two-thirds support.

### 3.1 Donor responses to Muluzi’s democratic backtracking

Donor responses to Muluzi’s various attempts to erode Malawi’s democracy were most forceful when poor political governance coincided with economic mismanagement. When Muluzi’s government first entered office in 1994, there were significant increases in commitments by bilateral donors and the establishment of a number of new country donor offices (Claussen et al. 2006). In 1995, the government adopted an IMF economic reform programme and implemented a range of austerity and privatization measures. Due to satisfaction with the government’s progress, the IMF released loans in 1996 and 1998 that were worth US$22 million and US$27 million, respectively. In the same year, the Consultative Group of donors pledged to provide US$1.25 billion to meet Malawi’s financing needs between 1998-2000. General budget support, provided through the Common Approach to Budget Support (CABS) partners, was also disbursed in 2000/01 in order to support implementation of Malawi’s Poverty Reduction Strategy (Claussen et al. 2006).

However, the government began stalling on its privatization programme, and suspicions of government corruption became more pronounced amongst the donors. In total, donors suspended US$23 million in development assistance in 2001. The EU suspended support for road rehabilitation because of non-compliance with tendering and procurement procedures (EIU 2002a). An audit revealed that an additional US$7 million had been misspent, and the EU demanded reimbursement (Ruben 2008). USAID reduced its aid from US$7 to US$1 million in the same year because of suspension of the privatization programme, and DFID also delayed payment of US$17.9 million (EIU 2002a). Based on concerns over transparency, the IMF also refused to distribute any resources in 2001 under the aegis of the Poverty Reduction Grant Facility (PRGF). Since continued IMF support for the PRGF is the overarching criteria for the provision...
of budget support, the CABS donors in turn suspended their assistance for 2002/2003 (Claussen et al. 2006). Denmark took the most drastic action by deciding to end its assistance to the country entirely, pinpointing the disappearance of 10 million of Malawian kwacha (MK) in Danish aid intended for an inter-party conflict resolution project (EIU 2002a).

In the midst of this souring of relations with donors, Muluzi pursued his third-term bid through the Open Terms Bill. Major bilateral donor governments, including the UK, US, EU, and Germany, issued statements that denounced the ban on public demonstrations and advocated for a national debate and referendum on the topic. They further warned of additional cuts to aid if the bill was passed (EIU 2002b). At a rally in Blantyre, Muluzi retorted, ‘This country is not controlled by donors. Never! You must understand that I am the president of this country. Yes, we are poor. But we want to be poor with our heads up, not with our heads down. And nobody, as long as I am the president, will control me, nobody’ (cited in Mpakati 2002: 23).

Given that the Open Terms Bill was tabled and lost only by a small margin, the donors’ direct impact on this issue is not obvious. The donors’ statements ultimately may have influenced MPs, especially within the ruling UDF. However, the fragile state of the economy already made many Malawians resistant to another term of Muluzi’s governance. This domestic resistance, combined with fragmentation within the party system, probably played the biggest role in preventing constitutional changes (see VonDoepp 2005).

4 Democracy and donors under President Mutharika

Having lost his third-term bid, Muluzi’s chosen successor for the UDF candidacy in the 2004 elections was Bingu wa Mutharika, who won those elections with only 36 per cent of the vote. In a pattern reminiscent of only a decade earlier, donors became very eager to re-establish good relations with the Malawian government under the new president. As seen in Figure 1, the amount of aid commitments by donors in 2005 drastically differed from the final years of Muluzi’s tenure.

Donors were especially encouraged by President Mutharika’s commitment to sound, technocratic management of the economy and fighting corruption. One of Mutharika’s most promising moves was the appointment of Goodall Gondwe, a former IMF official, as his Minister of Finance. Moreover, when the new government established the country’s 2006-11 Poverty Reduction Strategy Paper (PRSP), governance was identified as a key priority, although the emphasis was clearly on economic rather than political governance.
The new government rapidly repaired relations with the IMF (Van Buren 2009), and the CABS donors established a Performance Assessment Framework (PAF), which provides a set of monitoring indicators to determine whether the government remains on track to achieve the objectives outlined in the PRSP. In 2005, a Joint Framework Agreement was signed to establish the criteria for providing budget support, and some donors released previously suspended budget support as a sign of good will (see Claussen et al. 2006). For example, Sweden pledged US$5.5 million under the Common Approach to Budget Support Facility (Van Buren 2009).

General budget support, which is unearmarked financing aimed at directly supporting a government’s development priorities, is the Malawian government’s preferred modality for receiving foreign aid. While the largest share of aid remains delivered as project support, disbursements of budget support in Malawi have grown substantially, from US$67 million in 2004 to US$164 million in 2009 (GoM 2010; Highton et al. 2009). There are six members of the CABS donor group in Malawi, including the African Development Bank (AfDB), the United Kingdom (UK), the European Union (EU), the World Bank, Germany and Norway. Democracy assistance, which is aid specifically designed to promote greater liberalization in a country that has already experienced a democratic transition, is less sizeable. During 2008/09, for example, aid for democratic governance only totalled about US$45 million (GoM 2010).

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3 As of 2010, the PAF includes 25 indicators spanning 5 broad areas: Public Financial Management, Drivers of Economic Growth, Social Sector, Governance, and Mutual Accountability and Fundamental Principles (see CABS 2010).

4 Sweden was a member of CABS in Malawi from 1999 to 2006. Sweden stopped providing bilateral aid to Malawi entirely in 2007 due to a decision by the Swedish Government to focus on fewer partner countries (von Hagen and Schulz 2009).

5 Germany is the most recent member to CABS, joining in 2009. The IMF, UNDP, and Ireland are observers to CABS in Malawi.
During Mutharika’s tenure, however, many of the same underlying political challenges facing this nascent democracy remain. As the following sections illustrate, there have been some cases, especially with respect to strengthening parliament and improving the party system, where donor activities have proved contradictory and therefore exacerbate these challenges. In other cases, donors made significant interventions to prevent the violation of important civil liberties but often in a haphazard manner and usually only after important economic governance criteria were also violated.

4.1 Strengthening parliament

The legislature, along with the judiciary and other regulatory institutions, represents one of the most important entities for ensuring horizontal accountability. However, as noted earlier, Malawi’s parliament has provided little meaningful executive oversight (see also Highton et al. 2009). This is often due to the lack of many elements that would make it more effective, including greater research capacity, a better flow of information, and more sitting time. In fact, during one sitting in 2010, six bills were passed in two hours, indicating the lack of substantial debate (Moberg and Ng’ambi 2010). Until only recently when the Chinese completed a new National Assembly building, parliamentarians did not even have a permanent place to debate because President Mutharika evicted them from State House, which is where they met under Muluzi (see Rakner and Svåsand 2005).

A number of donors involved in democracy assistance have at some point focused on strengthening the parliament. From 1996-2001, the UNDP worked with parliament under the first phase of its Democratic Consolidation Programme (DCP). The programme involved a three-week training course in Finance, Communications, and Development for two different sets of parliamentarians and was deemed highly effective by the Deputy Clerk of Parliament (Moberg and Ng’ambi 2010). Yet, parliamentary support is absent in the UNDP’s third phase of the DCP. Likewise, the German Gesellschaft für Zusammenarbeit (GIZ) established a partnership with the Speaker and clerk of the National Assembly during its Forum for Dialogue and Peace programme, which lasted from 2002-09, but this is not a focus in GIZ’s current work programme. Although NORAD provided support to parliament through its previous programme activities, especially by contributing to the DCP, it is not currently considering doing this again. DfID’s Democracy and Governance unit aimed to reinforce parliament under the aegis of its Voice and Accountability Programme. While such support no longer exists, the British donor is considering the possibility of working closely with some strategic parliamentary committees. Likewise, USAID’s Democracy and Governance division is considering strengthening parliamentary committees as one of their priorities in their next five-year strategy.

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6 Interview with UNDP Assistant Resident Representative for Governance in Malawi (25 February 2011).
7 Interview with GIZ Country Director for Malawi (1 March 2011).
8 Personal communication with NORAD’s Programme Officer for Governance and Human Rights (17 March 2011).
9 Interview with DFID Governance Advisor (2 March 2011).
10 Interviews with USAID’s Governance and Democracy Team (28 February 2011).
During the mid-2000s, the donor community appeared less concerned about the capacity and effectiveness of the legislature than its efficiency. Specifically, a crisis was precipitated by President Mutharika’s unexpected decision in 2005 to leave the UDF and form his own party, the Democratic Progressive Party (DPP). The decision prompted approximately 65 out of 193 MPs to defect to the new party. Major political parties that then constituted the opposition, including the UDF and the MCP, began proceedings to impeach the President, arguing that Mutharika needed to seek a new mandate from Malawians under his new party. Although the High Court declared that impeachment would be unconstitutional, it did agree that according to Section 65 of the Constitution, the Speaker of Parliament can declare vacant those seats of MPs who crossed the floor to join the DPP (Saunders 2009). This would have allowed the opposition to gain a clear majority in parliament. For 78 days, the opposition refused to approve the national budget for 2007/08, demanding that the Speaker invoke Section 65. When the MPs finally relented and approved the budget, Mutharika moved to end the parliamentary session and did not allow the body to meet again for eight months. In the 2008/09 fiscal year, the opposition again refused to approve the budget until the floor-crossing issue was resolved. Ultimately though, preparations for the 2009 elections began to take precedence and the opposition finally conceded the issue (Chinsinga 2009; Saunders 2009).

The clash between development and democracy objectives within the donor community came to the fore during this episode. In October 2005, the representatives from key donor countries, such as the UK and the US, wrote a letter to the opposition requesting that they cease their impeachment activities and warning that they might not be willing to work with any transitional government that would replace Mutharika (Saunders 2009). Since donors could not release committed funds until Malawi’s budget was in place, the opposition’s intransigence over Section 65 was portrayed as a hindrance to the country’s development. The AfDB had even suggested that to avoid such stand-offs in the future, more of its loans should be delivered as grants because the latter do not require parliamentary approval in Malawi (AfDF 2010). The AfDB further expressed relief when the subsequent 2009 elections awarded the DPP 58 per cent of the seats in parliament, observing ‘His [Mutharika’s] DPP will, for the next five years, command a majority in parliament, which should allow for a smooth transaction of its business and thereby accelerate the development agenda, notably by deepening the delivery of basic social services and further strengthening its PFM [Public Financial Management] systems’ (AfDF 2010: 2). Such sentiments suggest that a majority parliament that does not quibble with or question the President’s proposals, but rather acts as a ‘rubber stamp’, was deemed preferable for achieving economic development.

More broadly, it is questionable whether MPs are knowledgeable about donor activities in Malawi and possible that the way in which foreign aid is delivered further limits the capacity of parliament to serve as an adequate check on the executive. Basic capacity challenges in terms of understanding budget documentation and a lack of information hinder an awareness of deals negotiated between the government and donors. For instance, in a 2007 session of parliament, an MP from the opposition People’s Transformation Party (PETRA) complained that MPs are given the details of foreign loan agreements only ten minutes before debating and then they often receive few details on the conditions of the loans (see PoM 2007). The current chair of parliament’s Budget and Finance Committee, a DPP MP named Ralph Jooma, further notes that a
general concern of MPs is the complete opacity of information from both the executive and the donors with respect to delays in aid disbursements:

I would propose that donors share more information with us [MPs] rather than just informing the government. Donors must take an initiative to call my committee and tell us what they’re doing and update us so we can know who to blame about disbursements. Donors usually do not contact us. We normally have to go to them to find out what is going on. The only time we come formally into dialogue with them is through the CABS review, which occurs in September and March. But, we think that specific donors should call us and tell us what support they’re giving and what projects they expect from their money.\textsuperscript{11}

As seen in Figure 1, a majority of Malawi’s foreign aid is delivered as grants rather than loans and therefore, parliamentary approval is not required. This is particularly true of budget support, which typically exerts centralizing tendencies because resources and decisions are concentrated within the Ministry of Finance. This is emphasized by an official from the EU, Malawi’s largest budget support donor, who noted that instead of primarily engaging with parliament, ‘Dialogue is between the executive arm of government and the EU’.\textsuperscript{12} Through participation in the CABS review meetings and an examination of the annual budget, MPs are indeed informed of what contributions different donors are providing through budget support. However, a sizeable amount of budget support is given for the executive to decide how to allocate, which prevents parliament from determining whether these resources were used effectively.\textsuperscript{13}

Thus, during Muluzi’s tenure and Mutharika’s first term in office, parliament’s low capacity was nonetheless balanced by the presence of a sizeable number of opposition members who, often for political reasons, questioned the acts of the executive. Today, however, all of the chairpersons for parliament’s 14 committees belong to the ruling DPP. The ability of democracy and governance donors to reinforce parliament’s ability to provide horizontal accountability therefore is circumscribed by party politics, inconsistent funding to strengthen parliament over time, and the continued emphasis of budget support donors on interacting primarily with the executive arm of the government.

\subsection{4.2 Competitive party systems}

Political parties are essential to the functioning of democracy. To be meaningful, political parties must represent credible alternatives to each other and express distinct policies on issues relevant to voters (see Kittilson and Anderson 2011). Moreover, in order to be truly competitive and institutionalized entities rather than vehicles for few individuals’ personal ambitions, political parties require mechanisms for internal democracy, adequate financial resources, and an electoral environment that provides a level playing field.

\textsuperscript{11} Interview with Honorable Jooma (28 February 2011).
\textsuperscript{12} Interview with Economic and Public Affairs Unit of the EU Delegation to Malawi (24 February 2011).
\textsuperscript{13} Interview with Honorable Jooma (28 February 2011).
In Malawi, donors recognize that many of these elements are missing. Just as in the 1990s, donors were important supporters of the election process that brought Mutharika to power in 2004 and then saw him re-elected in 2009. In the 2004 elections, donors contributed approximately US$5.5 million to support the Malawi Electoral Commission (MEC), which was distributed via a Trust Fund managed by the UNDP. Most of this money funded voter registration exercises, cleaning the voters’ roll, equipping polling stations, and preparing for election observers. There was additional funding to civil society groups and media in order to enhance voter education (see Kabemba 2005). During the 2009 elections, funds were again co-ordinated by UNDP in a Basket Fund, with additional money also allocated to outside activities relevant to civic and voter education (Duncan 2009). A major achievement included the development of a new electronic voters’ roll as well as technical assistance with logistics and a wide range of other areas (Duncan 2009). As seen in Table 1, DfID was the largest contributor to the 2009 elections.

Table 1: Donor contributions to Malawi’s 2009 general elections

<table>
<thead>
<tr>
<th>Donor</th>
<th>Total contribution (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>387,717</td>
</tr>
<tr>
<td>European Union</td>
<td>2,448,705</td>
</tr>
<tr>
<td>Germany</td>
<td>1,301,695</td>
</tr>
<tr>
<td>Japan</td>
<td>1,438,848</td>
</tr>
<tr>
<td>Ireland</td>
<td>1,646,877</td>
</tr>
<tr>
<td>Norway</td>
<td>3,782,046</td>
</tr>
<tr>
<td>UK</td>
<td>6,608,759</td>
</tr>
<tr>
<td>UNDP</td>
<td>2,855,904</td>
</tr>
<tr>
<td>US</td>
<td>802,252</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20,732,803</strong></td>
</tr>
</tbody>
</table>

Source: Data from Duncan (2009).

However, more long-term capacity-building and awareness about the value of elections is limited by the cyclical nature of governance funding. As seen in Figure 2, funding for governance work tends to be concentrated around electoral periods. For GIZ, which had a highly visible programme through the Forum for Dialogue and Peace from 2002-2009, their governance focus for the current programme period has now shifted to decentralization. DfID previously focused on ‘in-between the ballot’ box support, which is aimed at bolstering those institutions and actors who are necessary for electoral success. Yet, since 2009, the agency has decided to just concentrate on the actual conduct of elections, noting that the value-added for DfID of providing technical capacity between the elections was not obvious. A representative of the Konrad Adenauer Foundation in Malawi lamented these circumstances: ‘For me, I get upset about us as donors who come to Malawi just a few months before elections … Elections

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14 One key exception to this is USAID, which increased assistance for Democracy and Governance programmes in Malawi office from one to three million US$ in fiscal year 2010, after the completion of the national elections (interview with USAID’s Governance and Democracy Team, 28 February 2011).

15 Interview with GIZ Country Director for Malawi (1 March 2011).

16 Interview with DFID Governance Advisor (2 March 2011).
are seen as an event. I want to focus on democracy as a process and that occurs between elections, not during elections. Elections are either a climax or anti-climax of a process. This cyclical funding can also have knock-on effects for civil society organizations that donors depend on for voter education programmes. As the director for Malawi’s Center for Multiparty Democracy (CMD) notes, ‘You see an influx of donors supporting civil society, but it has been concentrated around the election period, which actually causes problems itself. Some civil society organizations only operate during that time’.

Figure 2: Trend and distribution of democracy and governance aid

![Graph showing the trend and distribution of democracy and governance aid.](image)

Notes: The ‘other’ category encompasses support to the media, the legal and judicial system, legislatures and parties, and decentralization.

Source: Author’s illustration based on data from the OECD Creditor Reporting System.

Moreover, no matter how much democracy and governance donors work to improve the functioning of elections, their efforts become irrelevant when elections never ultimately occur. Since Mutharika became president, this has occurred twice with respect to local elections. According to the Constitution, local elections were scheduled to occur in May 2005. They were then postponed until May 2010 with the justification that they were too costly. Chinsinga (2009), however, argues that the true reason was that Mutharika’s newly created DPP lacked any grassroots support to win local elections. Then, Mutharika altered the Local Government Act to give him the power to declare the timing of these elections (AEO 2011). He postponed them again until April 2011. A number of donors were engaged in preparations for these 2011 elections, including GIZ, USAID, DfID, and the UNDP, particularly since decentralization is a key element of Malawi’s PRSP. However, not long before the elections were scheduled, the government suspended the Electoral Commission on suspicion of corruption. By the time that the Commission was re-opened, it was too late to prepare for the local elections.

17 Interview with National Co-ordinator of the Konrad Adenauer Foundation in Malawi (22 February 2011).
18 Interview with Executive Director of the Center for Multi-party Democracy (CMD) (28 February 2011).
elections, which are now postponed until 2014. While many donors expressed concern that this postponement now meant Malawi’s local councillors had not been re-elected since 2000, only Germany ultimately withheld aid (see Sonani 2011a).

One of the more long-term, and arguably most important, concerns for electoral competition in Malawi is the development of viable political parties. Parties in Malawi are almost entirely synonymous with their political leaders and historic ethno-regional bases rather than any type of unique policy stance (see Rakner et al. 2007). A lack of differentiation across parties is coupled with a dearth of democratic procedures within parties. At their party conventions prior to the 2009 elections, there was no challenger to John Tembo for the MCP leadership, Bakili Muluzi’s success against Cassim Chilumpha was assured, and the DPP merely met to affirm that Mutharika would be the party’s candidate for the 2009 elections (Chinsinga 2009). Such trends often result in a proliferation of political parties and independent candidates because individuals cannot fairly advance within the party ranks. In fact, while five parties contested presidential and parliamentary elections in 1994, the number ballooned to 17 by 2009 (Magolowondo and Svåsand 2009). In addition, after failing to secure their respective party’s nomination, 32 candidates who won parliamentary seats in 2009 were registered as independents (Smiddy and Young 2009).

Despite these weaknesses, only a few donors actively intervene to strengthen political parties. While GIZ did not work with political parties through the Forum for Dialogue and Peace, Germany does address this issue through its party foundations, which are funded by the German parliament. In Malawi, the Konrad Adenauer Foundation (KAF) has worked with the Young Politicians Union, which consists of young members of various political parties who are trained about the responsibilities of politicians and how they can ensure accountability to their constituents. With its implementing partner, the Center for Multi-Party Democracy (CMD), the UNDP also focused on strengthening party secretariats, working on intra-party democracy, and finding mechanisms for conflict resolution across parties. However, the efforts of both the UNDP and KAF were most intense around the 2009 elections.

The more general trend is for democracy and governance donors to abstain from this domain. Two of the largest democracy and governance donors, DfID and USAID, engage in political party strengthening in other African countries, but neither agency currently pursues this in the Malawian context. According to a DfID official, a greater understanding of the political environment is needed before delving into party strengthening. The director of the CMD, Kizito Tenthani, has firsthand knowledge of this dilemma given the CMD’s mandate to strengthen parties:

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19 Traditionally, the UDF’s base is the Southern Region while the MCP’s is the Central Region. AFORD historically dominated the Northern Region. Since the DPP is relatively new, it does not have a historical support base, although Mutharika hails from the Southern Region.

20 Interview with GIZ Country Director for Malawi (1 March 2011).

21 Interview with National Co-ordinator of the Konrad Adenauer Foundation in Malawi (22 February 2011).

22 Interview with UNDP Assistant Resident Representative for Governance in Malawi (25 February 2011).

23 Interviews with DFID Governance Advisor (2 March 2011) and USAID’s Governance and Democracy Team (28 February 2011).

24 Interview with DFID Governance Advisor (2 March 2011).
With respect to the impact of the donors on the democratic sector, my first observation would be that in our area, working with political parties, has been sidelined. It’s not a favorite of many donor partners. There has been a lot of donor support for democratization, including for institutions of governance, but a lot of those resources have gone to civil society organizations and perhaps faith-based organizations …. So, for me, I would say that it’s been a missing link. We seem to be suggesting that we can consolidate multi-party democracy without really supporting political parties.25

Likewise, when KAF invited donors to contribute some funding to the Young Politicians Union, many responded that their policy was just to work with the MEC.26

Foreign aid can also exhibit more indirect, and often unintentional, effects on the party system. This is particularly true given that political parties require adequate finances to compete effectively in elections. Some public finance is available in Malawi for parties that have at least 10 per cent of seats in parliament. Yet, opposition parties are often disadvantaged by the incumbent’s access to state resources, including public media broadcasters and official vehicles that are used for the sitting president’s campaign purposes. As Rakner (2009) describes, the incumbent DPP received 98 per cent of media coverage from the Malawi Broadcasting Corporation and Malawi Television (TVM) in the 2009 elections. Moreover, President Mutharika campaigned in fleets of Hummer cars which he claimed were purchased by the government solely because the presidential fleet had aged. A report by election monitors for the EU further observed that the President attended the ceremonial openings of a number of public and private sector projects during the campaign period that were broadcast widely in the media (EOM 2009). Likewise, election observers for the Commonwealth Secretariat in the 2009 elections noted that:

We [the observers] saw evidence of an inordinate exploitation of the incumbency advantage, relating to the use of state institutions, facilities, security services, vehicles and other resources, as well as state media. We saw, for example, armed security personnel in uniform in lorries parading through the centre of Blantyre with electronic billboards of the incumbent President, just days before the election. There was also extensive use of conventional billboards giving public service messages in which the image of the President was prominent (Commonwealth Secretariat 2009: 19).

Most worrying for donors though is that resources for key development programmes can be manipulated by the incumbent. In Malawi, one of the most important programmes is the Farm Input Subsidy Programme (FISP), which provides vouchers for smallholder farmers to obtain subsidized fertilizer for maize production. President Mutharika introduced this programme in 2005 when the country was facing a drought. Despite initial donor reluctance about the cost of the programme and the government’s lack of an exit strategy from the subsidy, the FISP produced impressive results for maize yields and transformed the country into a maize exporter (Dugger 2007).

25 Interview with Kizito Tenthani on 28 February 2011.

26 Interview with National Co-ordinator of the Konrad Adenauer Foundation in Malawi (22 February 2011).
Mutharika, in turn, christened himself the ‘Destroyer of Hunger’ and received the Food and Agricultural Organization’s Agricola Medal in 2008 (see Cammack 2009).

Although the government of Malawi fully funded the FISP during its first year, foreign aid is now a critical factor in supporting the programme. Figure 3 illustrates that the costs for the FISP were not only highest in the year of the elections but also that foreign aid was directly responsible for 14 per cent of the total costs in that year. Besides these direct costs, donors support the FISP indirectly through their budget support programmes. Dorward et al. (2010: 30) cite a budget statement from the government of Malawi that notes the large increase in programme costs in the 2008/2009 year were almost entirely funded through budget support from donors, especially the AfDB, DfID, and the EU. Since the DPP was a new political party and therefore had no grassroots base compared with the UDF and the MCP, Mutharika clearly used the FISP as a way to consolidate the party’s support base in preparation for the May 2009 elections (see Chinsinga 2009). As Dorward and Chirwa (2011: 16) observe, ‘Political pressures to expand the programme and to use it for patronage were evident in the run up to the election’. Indeed, the fact that Mutharika overcame ethno-regional voting patterns and won the 2009 elections with 66 per cent of the vote, compared with only about half that vote share five years earlier, illustrates the success of this strategy. The FISP has since become even more politicized because smallholder farmers must now provide evidence that they registered to vote in the last elections in order to receive the subsidy (Ngozo 2009).

Figure 3: Distribution of direct contributions for the FISP

<table>
<thead>
<tr>
<th>Year</th>
<th>Government</th>
<th>Donors</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005/6</td>
<td>51.4</td>
<td></td>
</tr>
<tr>
<td>2006/7</td>
<td>84.4</td>
<td></td>
</tr>
<tr>
<td>2007/8</td>
<td>109.6</td>
<td></td>
</tr>
<tr>
<td>2008/9</td>
<td>227.8</td>
<td></td>
</tr>
<tr>
<td>2009/10</td>
<td>101.1</td>
<td>20.2</td>
</tr>
</tbody>
</table>

Source: Author’s illustration based on data from Dorward and Chirwa (2011).

Although the increase in costs was partially linked to the rise in the price of fertilizer, there was also an increase in the quantity of fertilizer purchased because the Government decided to extend the subsidy to other crops as well, including coffee and tea (see Dorward et al. 2010).
Collectively then, foreign aid’s impact on party competition is relatively mixed. A high level of emphasis is placed on the mechanisms for elections as well as the ‘demand-side’ of the party-voter relationship, including civic and voter education. However, most support is concentrated around elections, and few donors are interested in supporting political parties. By providing resources to supplement fertilizer subsidies, budget support donors in particular also inadvertently accorded Mutharika a massive electoral advantage in a highly maize-dependent country.

4.3 Respect for civil liberties

Civil liberties in Malawi, including freedom of expression and organization and respect for human rights, certainly improved after the country’s transition away from a one-party state. Yet, based on Freedom House’s measure of civil rights, Malawi consistently receives a score of 4 out of 7 on its index, which only places the country within the ‘partly free’ category.\textsuperscript{28} According to the Press Freedom Index, which measures the degree of press freedom violations in a particular country, Malawi has also slipped in its ratings between 2008 and 2010.\textsuperscript{29} There are also a number of practical challenges to the media landscape in Malawi, including the high cost of licenses for radio and TV stations and the dearth of newspaper print and printing presses within the country.\textsuperscript{30} A plethora of civil society organizations exist in Malawi around issues such as human rights and religious freedom. However, the diversity of actors within this arena often means that civil society cannot effectively organize and present a coherent set of demands to the government.\textsuperscript{31}

Most donor efforts in the area of democracy and governance focus on supporting civil society, with fewer resources allocated to the media (see Figure 2). For example, independent regulatory bodies to strengthen the media, such as the Media Council of Malawi (MCM), had been reinvigorated in 2006/07 when Malawi was trying to reach the threshold criteria for the Millennium Challenge Account, and the government realized that the media sector was relatively weak. Donors such as USAID and DfID were instrumental in providing initial assistance to the secretariat, but continued support is uncertain and subject to donor funding cycles.\textsuperscript{32}

This already fragile context for civil liberties faced even greater stress after Mutharika won a second term in office. One of the initial issues that prompted concern was the arrest of a gay couple in March 2010 because they were performing a traditional engagement ceremony. Since homosexuality is illegal in Malawi under the country’s colonial era Penal Code, the couple faced up to 14 years in prison. Members of the CABS group expressed their opposition to this, noting that human rights were one of the issues on which they based their budget support (EIU 2010a). Yet, unlike earlier in 2010 when DfID reduced its aid to Malawi in response to Mutharika’s purchase of new multi-

\textsuperscript{28} Freedom House’s civil rights index captures the extent of freedom of expression and belief, ability to participate in organizations and public demonstrations, and an independent judiciary that protects the rights of citizens. The index ranges from 1-7, with higher scores indicating a worse environment for civil rights. In 1992, under Banda, Malawi’s rating on the index was 7.

\textsuperscript{29} Malawi was rated 70 out of 178 countries in 2008 and fell to 79th place by 2010. See http://en.rsf.org/.

\textsuperscript{30} Interview with Director of the Media Council of Malawi (24 February 2011).

\textsuperscript{31} Interview with GIZ Country Director for Malawi (1 March 2011).

\textsuperscript{32} Interview with Director of the Media Council of Malawi (24 February 2011).
million dollar private jet (Cammack and Kelsall 2011), no donors actually cut their assistance over this matter. There was speculation that given the sensitivity of the issue and Malawi’s positive economic performance, donors would not intervene excessively (EIU 2010a). Indeed, not long after the couple was ultimately pardoned by Mutharika, the World Bank offered the government of Malawi US$54 million in budget support, (EIU 2010b).

A series of other events followed soon thereafter. In July 2010, Mutharika unilaterally decided to change the national flag through the Protected Flags, Emblems, and Names Amendment Bill. This was an incredibly costly procedure that was not open to public debate. A church leader subsequently was arrested when he openly criticized both this decision and many of Mutharika’s autocratic decisions within his own party, including the purging of opponents to Mutharika’s plan to promote his brother as the successor to the DPP leadership (see Singini 2011). In mid-February 2011, protests planned over fuel shortages and price increases were prohibited (Namangale 2011b). Around the same time, academic freedoms were curtailed when a lecturer at Chancellor College was summoned before the police for discussing the uprisings in Egypt and Tunisia, allegedly drawing uncomfortable parallels to the Malawian context (Namangale 2011a).

The most controversial move during this period, however, was parliament’s passing of a bill in December 2010 that amends section 46 of Malawi’s Penal Code. Signed into law by President Mutharika in February 2011, two key changes were made to the Penal Code as a result of this amendment. First, the criminalization of homosexuality was extended to women so that lesbian acts are now illegal. Second, the Minister of Information can ban any publication critical of the government on the pretext of safeguarding the public’s interest. Previously, this was only limited to imported materials, but this amendment extends the ban to domestic publications. As many civil society organizations highlighted, including the Media Institute of Southern Africa (MISA) and Malawi Human Rights Commission (MHRC), the amendment runs counter to section 36 of the 1994 Constitution, which notes that ‘The press shall have the right to report and publish freely, within Malawi and abroad, and to be accorded the fullest possible facilities for access to public information’ (see Somanje 2011).

This legislation effectively negates the purpose of a free media. There were already troubling trends within the sector since the government, which is the country’s biggest advertiser, withheld advertising to newspapers that wrote negative articles about it. Moreover, the director of the MCM finds the Section 46 amendments highly detrimental to creating an informed citizenry: ‘The outcry is mostly to say that this is about self-censorship because it creates elements of fear in the press … In such a climate, what you have is not an informed public but a public which is already aligned towards you [the Government]’.

Donor responses to these infringements have been increasingly dramatic but also relatively erratic and not particularly coherent. With the signing of the amendments to the Penal Code, France, Germany, Japan, Iceland, Ireland, the US, and the UK

33 The President wanted to show a full sun shining on the center of the flag, rather than a half sun, as an indication of how far Malawi’s development has come.
34 Interview with Director of the Media Council of Malawi (24 February 2011).
35 Ibid.
expressed concern with the deterioration of human rights by jointly issuing the following statement:

It is our responsibility as partners and friends to monitor closely Malawi’s adherence to international standards of protecting its citizens’ rights ... As partners and friends, we would like to recall that good governance and respect for human rights—including freedom of expression, observation of democratic principles and freedom from discrimination—are the foundation upon which our partnership is built (cited in Sonani and Munthali 2011).

The government retained a stance of defiance around the donors’ statement. While launching his own book in February 2011, ‘The message in this book is that Africa will be developed by Africans. Africa will never be developed by outsiders ... We must take control of our financial resources, we must take control of our policies, and we must take control of our future and destiny’ (cited in Sonani 2011c). Moreover, because the government had bundled the issue of gay rights and media freedoms together in the same legislation, there were rifts within the civil society community over the role played by donors, with the usually vocal churches resistant to donor intervention on Malawians’ views towards homosexuality (see Munthali 2011). The government further played on this line of reasoning, with the Minister of Foreign Affairs arguing that donors were not concerned with poor governance but rather with issues ‘which are not in line with our [Malawians’] culture’ (cited in Sonani 2011b). The intervention by donors the previous year with respect to the arrested gay couple was believed to have increased the government’s intransigence on this issue.36

Besides issuing public statements, Germany remained the only donor at that time to take more drastic action by suspending half of its budget support, reducing it from 5 million to 2.5 million Euros (Sonani 2011a). In addition, Germany requested that the CABS group revise their Joint Framework agreement to incorporate a clause noting other donors should take notice when one of their development partners reduces or stops budget support.37 However, Germany is a relatively small budget support donor (see Table 2), and its actions did not appear to influence the government’s behaviour.

At this time, the correct response to deteriorating civil liberties was not clear for other donors. Those involved in democracy and governance aid noted that they would not reduce aid but rather focus more on strengthening civil society.38 Although the MCC initially postponed the signing of its US$350 million compact agreement with Malawi because of its concerns over human rights (Sonani 2011a), it nevertheless proceeded with the signing in April 2011 (Chapulapula and Daniels 2011).

36 Interview with Director of the Media Council of Malawi (24 February 2011).
37 Interview with Economic and Public Affairs Unit of the EU Delegation to Malawi (24 February 2011).
38 Interviews with Interview with GIZ Country Director for Malawi (1 March 2011) and DFID Governance Advisor (2 March 2011).
Table 2: Budget support from CABS donors

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>United Kingdom</td>
<td>40.5</td>
<td>31.0</td>
</tr>
<tr>
<td>European Union</td>
<td>45.3</td>
<td>43.1(^a)</td>
</tr>
<tr>
<td>IDA (World Bank)</td>
<td>30.0</td>
<td>40.0</td>
</tr>
<tr>
<td>Norway</td>
<td>10.4</td>
<td>12.7</td>
</tr>
<tr>
<td>AfDB</td>
<td>37.8</td>
<td>12.0</td>
</tr>
<tr>
<td>Germany</td>
<td>0(^b)</td>
<td>14.1</td>
</tr>
</tbody>
</table>

Notes: \(^a\) This is only the EU’s support to the PRBS III. \(^b\) Germany did not join CABS until late 2009.

Sources: Data from GoM (2010) and AfDF (2010).

For other CABS donors, the importance of human rights criteria for disbursement decisions varies substantially (see Table 3). The EU, which was estimated to provide 85 million euros in budget support in 2011, emphasized that their programme is avowedly non-political and instead focused on a country’s macroeconomic stability, the implementation of a programme on growth and poverty reduction, and financial reform. As an EU official noted, ‘So, we wouldn’t in the first place make a link directly between such governance issues to payment or not of budget support’\(^{39}\). Likewise, the AfDB emphasizes that it focuses almost exclusively on economic, rather than political, governance. In addition, as a multilateral, the AfDB cannot decide to withhold financing as quickly as bi-lateral donors: ‘It’s more difficult because the AfDB belongs to all African countries, and when making a decision, you need to involve all the countries, especially through the executive directors and sometimes the governors. So, decision-making processes tend to be a little bit lengthier’\(^{40}\). The World Bank similarly observed that it cannot act as quickly as bilaterals and that given its primary concern with economic governance, funding would most likely stop only when there are problems with the accountability of resource use\(^{41}\).

Tensions escalated, however, when the British High Commissioner was expelled in May 2011 because, in a leaked memo, he had accused President Mutharika as being ‘arrogant and intolerant of criticism’. DfID responded by announcing that it was suspending all new aid pledges, which were to total US$550 million over four years, until a review of its bilateral relationship with Malawi occurred (Chapulapula and Daniels 2011). Nevertheless, a month later, Section 46 of the Penal Code Amendment Bill was passed into law. In July 2011, Mutharika also proceeded to sign into law the Civil Procedures Bill Number 27, which is popularly known as the ‘Injunctions Law’. This legislation prevents any postponement of government decisions caused by a judicial review. This was a serious blow to maintaining public accountability since such judicial reviews had prevented the government from revoking the license of an independent radio station and from firing the lecturer at Chancellor College (EIU

\(^{39}\) Interview with Economic and Public Affairs Unit of the EU Delegation to Malawi (24 February 2011).

\(^{40}\) Interview with Governance Expert for AfDB (1 March 2011).

\(^{41}\) Interview with Senior Agricultural Economist at World Bank in Malawi (2 March 2011).
In essence, the law prevents the courts from intervening in legislation that could be harmful to the opposition.

Table 3: Variations in disbursement preconditions for budget support

<table>
<thead>
<tr>
<th>CABS donor</th>
<th>Specific preconditions for budget support disbursements</th>
</tr>
</thead>
<tbody>
<tr>
<td>AfDB</td>
<td>• Government is on track with IMF’s ECF programme</td>
</tr>
<tr>
<td></td>
<td>• Provision of evidence that a revised PFEM Priority Action Plan has been adopted by the Ministry of Finance</td>
</tr>
<tr>
<td></td>
<td>• Provision that the external audit report has been submitted to parliament</td>
</tr>
<tr>
<td>DfID</td>
<td>• Evidence of commitment to reducing poverty, improving public financial management, and upholding human rights</td>
</tr>
<tr>
<td>EU</td>
<td>• Macroeconomic stability, evidence of a commitment to economic growth and poverty reduction, and sound public financial management</td>
</tr>
<tr>
<td>Germany</td>
<td>• Human rights, good governance, and democratic principles should be upheld</td>
</tr>
<tr>
<td></td>
<td>• Evidence of macroeconomic stability, which is not just dependent on IMF judgment</td>
</tr>
<tr>
<td></td>
<td>• Satisfactory reform with implementing reforms under PAF</td>
</tr>
<tr>
<td></td>
<td>• Reviews should be held on a timely basis</td>
</tr>
<tr>
<td>Norway</td>
<td>• Fundamental principles from the Joint Framework should be upheld: respect for human rights, democratic principles, macroeconomic management, rule of law, sound public financial management, accountability, and effective anti-corruption programmes</td>
</tr>
<tr>
<td></td>
<td>• Progress with indicators under PAF</td>
</tr>
<tr>
<td></td>
<td>• Provision that the external audit report has been submitted to parliament</td>
</tr>
<tr>
<td>World Bank</td>
<td>• Government is on track with IMF’s ECF programme</td>
</tr>
</tbody>
</table>

Sources: CABS (2010); Interviews with EU Delegation to Malawi (24 February 2011).

Yet, it was the economic environment that truly motivated many of the donors to finally respond more forcefully to the growing autocratic environment. Malawi had violated the conditions of the IMF Extended Credit Facility (ECF), which was signed in February 2010 and which provided US$79.4 million over four years. Specifically, the ECF required Malawi to devalue its exchange rate in order to ease the country’s severe shortage of foreign exchange. Devaluation would improve the competitiveness of flailing tobacco exports and therefore provide more foreign exchange to purchase fuel, which is chronically under-supplied in Malawi. However, the government resisted because it would result in higher costs for imported fertilizer, thereby threatening the number of smallholder farmers who could benefit from the input subsidy (see EIU 2011b). Since the government still resisted by July 2011, the IMF suspended the ECF. Given that an agreement with the IMF is a prerequisite for all budget support, all other members of the CABS group similarly were forced to halt delivering aid through this modality (EIU 2011b).

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42 As of mid-2011, the Malawian Kwacha was pegged to the US$ at 151:1.
The combination of the government’s intransigence towards donor conditionalities, fuel and foreign exchange shortages, and the narrowing of space for civil liberties were reminiscent of the conditions that led to pro-democracy protests against Banda in the early 1990s. Indeed, on 20 July 2011, economic and political grievances against the government culminated in protests in Blantyre and Lilongwe. Led by a group of approximately 80 civil society organizations, religious groups, and student movements, who collectively called themselves ‘the Concerned Citizens’, these protests began peacefully but soon escalated and the police and military intervened (Kasunda and Munthali 2011). These organizations initially had approximately 20 demands, which included that the President apologize to development partners, devalue the currency, and reduce the size of his 41 person cabinet, which was believed to be a drain on public resources. Ultimately, 19 people were killed and around 500 arrested by the government (Sonani 2011d; Wroe 2012). In response, the MCC decided it would not release the US$350 million intended to boost the energy sector since the killings violated the MCC’s commitment to only supporting governments that are dedicated to ‘political pluralism, human rights, and the rule of law’ (Chapulapula and Daniels 2011).

The impact of these cumulative donor withdrawals on improving civil liberties remains unclear at this stage. In August 2011, President Mutharika did reduce the size of his cabinet by 14 members. Moreover, by October 2011, high level delegations went to Europe and the IMF to bargain for a resumption of aid (Cammack 2011). However, donors continue to make political reform and devaluation of the kwacha a priority for aid resumption and as of February 2012, the government has remained resistant to such demands (see EIU 2012).

On the surface, there are two factors that offer Mutharika greater leverage to ignore the demands of donors in this regard. First, Malawi formally severed diplomatic ties with Taiwan in early 2008, following a promise of US$6 billion in aid and investment by China (Lum et al. 2009; Saunders 2009). Since then, the visibility of the Chinese has increased substantially, especially in the capital of Lilongwe. For instance, China provided 45 million dollars in grants for the new parliament building as well as concessional loans of 90 million dollars for construction of a new 5-star hotel and conference center (AEO 2011). Notably, after both Germany and DfID withheld aid in mid-2011, China announced that it was planning to increase aid to Malawi (see Chiyembekeza 2011). Besides China, Iran also recently agreed to co-operate with Malawi in a number of areas (AEO 2011), and Arab donors provided approximately MK 315 million in the 2009/2010 budget year for roads and transport (GoM 2011). Furthermore, India recently offered Malawi a credit line of US$180 million, primarily for co-operation within the areas of agricultural development and pharmaceuticals to combat HIV/AIDS (AEO 2011). Second, uranium was recently discovered in Malawi, and uranium production began at the Kayelekera mine in 2009. This may offer an alternative source of revenue, especially as export earnings for tobacco continue to decline.

Nevertheless, world prices for uranium are volatile and unreliable, and total aid from non-traditional donors, especially in important social sectors such as health, agriculture,

44 Malawi is also supporting India’s bid for a seat on the UN Security Council (AEO 2011).
and education, remain substantially smaller than that from Malawi’s traditional bilateral partners and multilateral institutions. Moreover, much of the support from China in particular is either via grants for targeted projects or in the form of concessional loans. General budget support, which is Malawi’s preferred aid modality, does not seem on the horizon from these donors. In addition, the interest of China and Iran in Malawi is largely linked to the uranium deposits (see AEO 2011). Therefore, such assistance will most likely be less tied to achieving Malawi’s poverty reduction goals.

5 Conclusions and policy implications

Given the diversity of development partners and foreign aid projects in Malawi, donor influence on Malawi’s democratic trajectory has been extremely varied and strongly intersects with a constellation of political economy factors that characterize the country. Donors played an important role in the country’s transition process in the early 1990s because Hastings Banda’s regime was facing the double threat of a drought in rural areas and civil discontent in urban ones. By focusing on holding multiparty elections, donors also had a narrow and clear goal by which to measure progress and, armed with democracy assistance and development aid, the tools by which to influence the outcome.

While there is no threat of a breakdown of procedural democracy in Malawi today, this study focused on three areas where consolidation remains weak. In terms of deepening democracy, the legislature is often ineffectual as a check on executive powers, especially when the ruling party has a majority in parliament. Weakly institutionalized and fragmented political parties contribute to high levels of personalized rule and a centralization of power around the executive. Most opposition parties lack the necessary financing and training to function properly outside of elections and to compete equally against the incumbent during elections. With respect to the erosion of democratic freedoms, both Presidents Muluzi and Mutharika have tried to ban protests and harass the media. Mutharika has also instituted legislation inimical to upholding freedom of speech, minority rights, and public accountability.

Clear differences emerge in terms of the levers and direct impact that democracy assistance demonstrates in these three domains. Undoubtedly, democracy assistance has played a critical role in ensuring the holding of relatively free and fair national elections at regular intervals since 1994. Malawi’s electoral commission, levels of voter registration and voter education, non-governmental organizations (NGOs), and the media would have been much weaker without the resources provided via the democracy and governance programmes of DfID, GIZ, NORAD, UNDP, and USAID. However, support to parliament remains inconsistent and democracy and governance funding more broadly appears driven by the electoral cycle rather than by a desire to consistently reinforce key institutions essential for democratic functioning. Moreover, the reluctance of many donors to bolster political parties appears a major gap given that the country’s weak party system underlies many of the country’s broader governance challenges.

Development assistance outweighs democracy assistance in Malawi, and budget support in particular accounts for 40 per cent of the international assistance that goes to Malawi (EIU 2010a). Since much of this assistance is targeted at key social sectors and economic governance, its effects on democratic consolidation are indirect with respect to strengthening parliament and fostering competitive party systems. Specifically,
budget support accords even greater power to the executive since parliamentary approval is not required for grant activities. Since few donors directly communicate with MPs on their projects and programmes, most MPs are only informed of donor activities when the Minister of Finance presents the annual budget. Furthermore, both targeted assistance and budget support, particularly to the fertilizer subsidy programme, have been used to the incumbent’s advantage during election campaigns.

Development assistance plays a more direct role in Malawi in terms of preventing infringements on civil liberties. Withholding assistance sends a powerful sign that donors will not support an erosion of the country’s freedom of speech, the persecution of minority groups, or violence against protesters with legitimate grievances. Along with the idiosyncratic characteristics of Malawi’s presidents, certain domestic conditions determine the effectiveness of withholding aid. Under Muluzi, these included the concurrent existence of an economic crisis, the threat of famine in rural areas where a majority of the population resides, discontent in urban areas fuelled by civil society organizations, and a divided parliament. Today, many of these same conditions also exist. Specifically, civil society organizations are vocal about most infringements of civil liberties as well as the country’s worsening economic environment while discontent with the succession of Peter wa Mutharika as the leader of DPP has prompted increased defections within the ruling party, gradually eroding the President’s majority in parliament (EIU 2011b). The fact that the suspension of budget support will threaten Mutharika’s legitimacy in rural areas by undermining his legacy project, which is the fertilizer subsidy scheme, might ultimately encourage him to rescind some of his anti-democratic legislation.

Simultaneously though, the recent evolution of events in Malawi reveals that donors’ behaviour is also important for influencing greater respect for civil liberties. Donors do not exercise in a concerted manner their potential leverage, and this fails to discourage the government’s anti-democratic decisions. For a majority of donors, concrete and large-scale action against the government, whether under Muluzi or Mutharika, depends on deviations from IMF agreements or evidence of corruption rather than on violations of civil liberties. For example, Germany’s early actions over revisions to the Penal Code were not initially replicated by other CABS donors, even those who expressly indicate respect for human rights as part of their disbursement decisions.

Notwithstanding recognition of the pressures donor institutions face from their home governments, a number of policy implications emerge from this analysis. First, greater consistency in the level of funding and the issues that are targeted by democracy assistance donors across their programme cycles would ensure that the drivers of a sound democracy, including the MEC, NGOs that support voter education, and the media, are constantly reinforced. Second, political parties require more attention, particularly in terms of training about key issues, writing detailed party manifestoes, establishing sustainable funding bases, and reinforcing the rules for leadership selection in party constitutions. Third, channels for more frequent communication with parliament should be found, especially with respect to conveying disbursement criteria for budget and project support in order for MPs to understand whether government or donor actions are to blame for delays. Fourth, budget support is a modality aimed at providing greater predictability and harmonization of aid while also providing governments with greater ownership over their national development agendas. Yet, not only do the various CABS adhere to different aspects of the PAF framework, but Table
revealed that they place a disparate emphasis on human rights abuses. As such, greater coherence in criteria across donors would not only ensure that a concerted approach is adopted when threats to democratic freedoms occur but also better fulfill the objectives of the Paris Declaration. Beyond budget support, the adoption of fixed and variable tranches of aid for development projects could allow donors to still provide predictable, long-term funding while having the option to respond forcefully when threats to democratic consolidation occur.45

At a broader level, the study reveals that the relationship between donors and Malawi’s successive governments has followed a cyclical trend. After a period of close cooperation with development partners, the government then engages in a series of measures that threaten the country’s democracy. Donor threats to withhold aid are largely ignored until another economic crisis occurs, which places the government under increasing pressure to respond accordingly. A sense of mutual interdependence fosters this pattern: Malawi’s government requires high levels of foreign aid to provide crucial social services for a majority of its citizens and the donors possess a mandate to ameliorate the living conditions of the world’s poor. Hopefully though, with a greater flowering of civil society in Malawi’s growing urban areas and more coherent policy approaches by donors, the cycle of anti-democratic behaviour by Malawi’s personalistic leaders ultimately will be broken.

References


45 This is the approach adopted by the EU with respect to its budget support distributions (Interview with officials of EU Delegation to Malawi, 24 February 2011).


