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The difference between theory and reality in Malawi

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Dear Peter:

One of the best classes I took at university more than a decade ago was taught by a professor who wanted her students to figure out for themselves the possibilities and problems involved in development. To this end, she asked us to draw up a five-year plan for the economic development of the hypothetical African country of "Amnesia." Our assignment was to map out how Amnesia could best overcome a colonial legacy of exploitation and underdevelopment in health care, education and infrastructure.

The exercise made a big impact on me. For the first time, I clearly saw the trade-offs underlying every policy choice. So we wanted our country to have free education for both adults and children? Then where would we get the money to build schools, buy books and train teachers? As leftists, we eschewed dependency on foreign markets, choosing instead to delink Amnesia from an unequal relationship with the global capitalist economy. Emphasize agriculture, we said. Most of us championed the right of Amnesia's peasants to concentrate exclusively on growing subsistence crops to feed their families. So as policy makers, we ended up with few agricultural exports to generate the money for a radical restructuring of Amnesia's colonial economy. In the classroom, I had to admit that conservatives might be practical by insisting on export-led growth as a strategy for development.

Traveling in Africa strengthened that reluctant belief. I learned foreign exchange is the life-blood of any developing economy. International donors may often give loans and grants to build roads or buy textbooks, but few fund vital imports such as oil or spare auto parts. These must be bought on the world market with export revenue. Only Cuba, victimized by the United States' implacable hostility since 1962, limps along without trade links to the West. And that country now faces total economic collapse.

But I saw the results of a single-minded emphasis on export crops when I visited Malawi: serious problems. Malawi has been described as an "economic miracle" by Western economists. The

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World Bank, the major lending institution to the developing world, has invested some US $1.3 billion in loans covering some 60 projects in Malawi since independence in 1964. "Malawi has been one of the most successful economies in Africa, with overall high growth rates and tight control of inflation," said Arif Zulfiqar, the World Bank's representative in Malawi. "Malawi cuts its coat from its own cloth. There's a seriousness in its approach to development issues and a commitment to overall development, without the kind of corruption seen in many other countries." In praising Malawi's macroeconomic management, Zulfiqar noted the economy grew by 4.8 percent in 1990 and 7.8 percent in 1991. The country profits from agricultural exports, such as cotton, tea, coffee and tobacco.

In March, nearly a year after international donors cut off US $74 million in aid pending an irreversible improvement in Malawi's human rights record, the World Bank funded three new projects totaling US $200 million. Malawi's Minister of Finance, Louis Chimango, trumpeted this vote of confidence: "I would like to single out the World Bank and thank them for standing on our side all alone, because they are able to assess our performance, and they are satisfied that we deserve their support," he said. "World Bank, as His Excellency the Life President has said, controls money in this world and they know what development is all about. When you have the World Bank on your side, at least you can have thumbs up... Our policies on development are right."

Yet accentuating non-food agricultural exports has caused widespread suffering. Malawi is one of the 15 poorest countries in the world, ranking 153 out of 173 on the United Nations' Human Development Index. Malnutrition is rampant. About 70 percent of Malawian households face chronic food deficits with most running out before the next harvest. Per capita food production fell about 15 percent during the last decade while other African nations have managed to increase their own by more than 10 percent. Malawi ranks seventh highest in the world for infant mortality of children under five years old, and 61 percent of the children who survive are nutritionally stunted, according to the United Nations International Children's Emergency Fund (UNICEF).

In the classroom, I had changed my Marxist mind and accepted the need for export-led growth. I called it pragmatism. After visiting countries like Malawi, however, I have seen how much misery pragmatism can cause when too much emphasis is placed on cash-crop exports. A shortage of land exacerbates Malawi's lack of balance between the nation's need for export revenue and the people's need to eat decently. World Bank policy promoting "comparative advantage," growing relatively lucrative cash crops so people can purchase food with the profits, doesn't work when people lack sufficient land to make enough money to buy survival.

Malawi, a land-locked country about the size of Pennsylvania, started out poor. The roads, telephones and electrical power system of today are all an improvement on the lack of development at independence. Yet Malawi still has very little industry and more than 85 percent of the population remains in rural areas as smallholder farmers. Malawi didn't have the huge copper deposits that set Zambia, formerly Northern Rhodesia, on its feet. And unlike Zimbabwe, then Southern Rhodesia, there was no well-developed infrastructure or manufacturing industry. So Banda single-mindedly pursued development based on large-scale commercial agriculture, meaning tea plantations and tobacco estates. (In this essay, the words "plantations" and "estates" will be essentially synonymous.) It worked: cash crops provide almost 90 percent of Malawi's export revenue and about 40 percent of the Gross Domestic Product. But only a minority of Malawians have benefited. Of the 7.2 million citizens living in the rural areas, 4.3 million (60 percent) live below the poverty line. In urban areas, the figure is 65 percent. The few who find work on estates aren't much better off. About half receive wages below the official minimum, which is Malawian Kwacha 2.09 a day for rural workers (US$ 1.00 = MK 4.25). A labor survey showed the average estate laborer is paid 23 Kwacha per month, barely enough to buy one 50-kg bag of corn meal to feed his or her family.

> **President Hastings Kamuzu Banda boasts that he took an impoverished, resource-poor country and created an island of prosperity encircled by failed socialist regimes. "There is more money in the country and in the pockets of the people now, than there has ever been before," Banda said in a 1991 speech opening parliament. "If our reserves are higher than ever before, and there is more money in the National Bank and Commercial Bank, it is because our people are working hard in the fields. Without the people working hard in the fields, there would be no money in the country. Therefore, it would be starvation and poverty, instead. But because the people are working hard in the fields, the country is where it is. It feeds itself and dresses itself. People eat well, dress well, and live in better houses than they did during the colonial days."**

Capitalizing on exports

Plantations have played a prominent role in Malawi's economy from the early days of colonialism. Indeed, the country's first European planter, John Buchanan, declared the "Nyasaland" area a protectorate in 1891, before British rule had even reached the territory. Coffee farms were set up by white settlers and then cotton, tobacco and tea became the dominant crops. In the 1920s, the colonial government tried to encourage European settlement by boosting the expansion of plantations. Individual Europeans and companies were granted private ownership of large tracts of land with the rest declared Crown Land controlled by government or African Trust land, which was held under African customary law by tribal chiefs and village headmen. It was in the more clement south, where tea and tobacco still blanket the landscape to the horizon, that land scarcity first became evident. One estate, run by the Blantyre and East Africa Company, covered more than 125,000 acres. To resolve growing conflicts between land-starved local Africans and plantations that had taken their land, peasants were granted small plots in exchange for labor on the plantations in a system known as **thangata**, a word ironically meaning "to assist" in the local ChiChewa language.

After independence, Banda's government initially put its emphasis on smallholder agriculture and few resources went to plantations, which were all owned by white settlers or foreign companies. But two consecutively poor harvests in 1965 and 1966 convinced the government to shift its priority to large-scale farming. Banda encouraged middle-class bureaucrats and fellow politicians to follow his lead and establish farms. Cheap loans were made available from the country's two commercial banks. It's not a coincidence that the president's own company, Press Holdings, is the largest single shareholder in both banks. Land was transferred from "unused" customary land to individuals and corporations at very low rents, with no further land taxes. Banda frequently told the public that establishing estates was good because they would be a training ground for the country's future farmers. In the process, Banda and his friends became rich.

All this economic activity had to be paid for somehow. The Malawian people footed the bill and Banda's repressive one-party state ensured collection. The government marketing board helped finance the buildup of estates. Peasants producers could only sell their cash crops to the Agricultural Development and Marketing Corporation (ADMARC), which paid low prices for smallholder cotton and tobacco. The marketing corporation remains the buyer of last resort for food crops, such as corn, peanuts and rice. Using its monopoly, ADMARC extracted a surplus from the peasantry for use in developing the estates, which also sold their produce privately at high prices. Today, ADMARC continues to sell crops at a large profit on the international market.

Several laws forbade smallholder farmers from growing the most lucrative crops, flue-cured and burley tobacco. The state cited an old colonial excuse that the environment needed to be protected from damage by "inefficient" producers. To ensure a cheap labor supply, minimum wage laws were kept depressed for long periods despite inflation. In the first two decades after independence, there was even a maximum wage; paying more than the limit required state approval. The artificially low wages prompted men to migrate to South Africa and elsewhere. Faced with a labor shortage on the estates, Banda "recaptured" workers without having to raise wages by banning migration to South Africa. His excuse? A 1973 air crash killed 75 Malawian miners, so the president said he worried about his people's safety. The number of Malawians working in South Africa fell from 123,000 to a few hundred by 1977. It eventually rose again, but never to the same level. As a consequence, commercial farm employment expanded. Today, an estimated one million people reside on Malawi's estates and plantations as workers and tenants.

Shrinking land, expanding population

In the southern towns of Thyolo and Mulanje, vast carpets of fluorescent green tea bushes rise and fall like waves over the hillsides. The landscape is gorgeous in general, horrible in the specific. Down long rows, hundreds of men pick leaves off the new shoots as they struggle under enormous wicker baskets on their backs. Workers' homes vary from brick shacks with clay-tile roofs and glass windows to squalid lean-tos. People's dress varies also. A few men wear rumpled suits but most dress in threadbare shirts and faded, torn trousers. One old man in Mulanje wears old burlap stitched together with plastic twine. Children wear rags and most go without shoes, confirming for me a UNICEF estimate that as many as 1.3 million Malawian children live in poverty.

The disparity between commercial and subsistence farming is easy to see. It's too simplistic, however, to describe Malawi's agricultural economy as a dualistic split between smallholders and tea plantations. Indeed, that's the view the government wants to promote, since it claims to promote smallholder agriculture to ensure food self-sufficiency and estate agriculture to spearhead economic growth. The smallholder sector "accounts for almost 80 percent of all agricultural production and meets the country's demand for staple food," claimed the government in its 1986-1996 development policy statement. The reality is more complex.

Land scarcity squeezes many into destitution while a fraction of smallholders expand at others' expense. More than 25 percent of the population is estimated to be landless. No firm figures exist, in part because people are too ashamed to admit they have no land. Of those who do own land, some 56 percent of smallholders have less than 2.5 acres of land, which is the minimum necessary for an average household to produce enough food to meet its nutritional requirements if all that land was planted in a food crop like corn (the Malawian staple). Just 15 years ago, almost 50 percent of the smallholders held 2 to 6 acres, while another 43 percent had 6 acres or more. (See graph, page 6.) Smallholders hire themselves out to those with larger land holdings in a practice called **ganyu**

Profile of land use by rural households in 1991
From: Ministry of Agriculture Food and Nutrition Monitoring Survey

Area cultivated	Percent of small farmers
0 to 1.25 acres	22.7 %
1.25 to 2.5	33.4
2.5 to 3.75	22.4
3.75 to 5.0	16.5
5.0 and greater	4.9

labor. This informal employment pulls them deeper into poverty because they become dependent on employers for food rations and can't hope to bargain for better pay. When workers still plant plots of corn, employers can pay sub-survival wages to cut costs.

Such widening gaps between peasant farmers, as well as between smallholders and the estates, have had disastrous effects on food security. World Bank figures show the amount of land smallholders planted with corn increased from 58 percent to 70 from 1980 to 1990. In roughly the same period, per capita food production fell by 13 percent. And the crops farmers did grow dropped 6 percent in value, relative to fertilizer and seed prices, between 1978 and 1990. Even in the exceptionally good harvest year of 1988/89, the nation barely produced enough corn to meet its needs.

Profile of land use by rural households in 1968/69
From: National Sample Survey of Agriculture 1970

Area cultivated	Percent of small farmers
0 to 1.9 acres	8.7 %
2.0 to 3.9	25.6
4.0 to 5.9	23.2
6.0 to 11.9	34.1
12.0 and greater	8.3

Population pressure is a big factor in the diminishing amount of land and food production. Malawi's population has an annual growth rate of 3.3 percent and a fertility rate of 7.6 percent, the second highest in sub-Saharan Africa. Between 1966 and 1977, population densities increased from more than 17 persons per square acre to almost 24, and by 1990 it reached 36 persons per square acre of land. The present population of 8.8 million is expected to double in the next two decades, although up until a few years ago the government insisted that Malawi did not have a population problem. As sons and daughters subdivide their parents' land, smaller and smaller plots are being farmed.

World Bank policies may also be responsible for worsening land problems. The Bank's search for solutions reminds me of when I was a student, tinkering with development scenarios. A principle aim of the World Bank's program in Malawi is to improve the performance of the smallholder sector. Some ideas have worked. Many have not. And a few have caused real problems.

Fertilizer is one example. One solution to population pressure is to increase the productivity of food production per acre with fertilizer. Unlike commercial estates, which purchase fertilizer through one private corporation, ADMARC supplied smallholders with fertilizer at subsidized prices. The goal was to boost agricultural output, particularly corn, and redress inequities. But when the World Bank began its "structural adjustment program" in 1981, designed to liberalize the economy and reduce state intervention, the subsidy was targeted for removal. World Bank experts concluded that low-cost fertilizer has not promoted any increase in its use, although they found the main obstacle was smallholders' lack of access to credit needed to purchase suitable amounts. Some 60 percent of all fertilizer sales are on credit, although 80 percent of all smallholders lack the credit to buy, according to World Bank figures. The Bank's attempt to start a revolving rural credit program -- the **mudzi** fund -- ended in "a total disaster," a World Bank insider said.

A minority of "progressive" peasants did profit from state assistance with fertilizer. The government's crop/extension officers are oriented to serve these larger small-scale farmers and to promote a single crop: hybrid corn. In one study of fertilizer use, researchers found only a quarter of smallholders use fertilizer. More than half of the total use is by farmers with more than 2.5 acres, while those with less used about half the recommended levels. And only 10 percent of the poorest of the poor, those with an acre or less, used any fertilizer. Many who once used fertilizer cannot find it now. The World Bank mandated the closure of smaller ADMARC outlets to put the parastatal on a more commercial footing. Private traders would fill in the gap, the World Bank insisted. In remote areas of Malawi, however, ADMARC's absence has left smallholders with no alternatives.

Malawi began a phased withdrawal of fertilizer subsidies in the 1980s, although higher world prices and a World Bank-mandated devaluation hindered progress to complete removal. A total end to the subsidies won't be achieved until 1996. At the same time, under World Bank pressure, government-set producer prices for all agricultural commodities have more than doubled since 1981. Prices paid for corn, in particular, have soared. According to World Bank theory, if the price paid to farmers for their corn goes up, the profits create an incentive to buy fertilizer at a free-market price. For poorer farmers, however, the World Bank's logic doesn't apply. They can't afford the initial outlay for fertilizer and, even if they could, some 80 percent of smallholders are net buyers of corn. Also, there's no guarantee producer prices will rise in real terms versus fertilizer prices.

The World Bank also persuaded officials to allow smallholders to grow burley tobacco. In 1991, about 8,000 small-scale farmers were licensed to grow tobacco on customary land. But what seems like a boost in income-earning potential could result in further stratification. It has happened before. A change in law paved the way for smallholders to lease customary land as a burley tobacco estate. In 1979, 1,200 estates comprised 750,000 acres (mean size = 625 acres). By 1990, the sector expanded by 180 percent to 14,700 estates with 2,107,500 acres (mean size = 143.5 acres). About 70 percent registered in the 1980s have less than 75 acres. Many are much smaller and are, strictly-speaking, enlarged smallholder farms. There are no salaried managers or large permanent work forces such as those associated with larger tea plantations, all of which cultivate more than 250 acres.

The conditions of life on this new crop of estates can be appalling. Most estate owners get others to grow tobacco as tenant farmers. The World Bank estimates 80,000 people live as tenants, while another 40,000 are casual laborers without any security. Tenants who work tiny plots are typically paid a fraction of the value of the tobacco grown. One investigation found they are often victimized by underpayment, wait months for their money, and rely on verbal contracts. Many depend on food rations provided by estates, so after the crop is sold and debts paid off, their once-a-year payoff can drop as low as US $32 to $50. Interest on credit for consumption and production, charged by estate managements, can run as high as 140 percent. Although reminiscent of the colonial **thangata** setup, the World Bank provided an estate sector credit facility to assist this system.

By promoting smallholder tobacco, I believe the World Bank encourages the enterprising agricultural upper class to register large areas of customary land to keep others from grabbing it first. No one is clear if original occupants retain any rights. And the environment, already being degraded by erosive crops like tobacco and corn, becomes a wasteland from misuse. Estate owners cut down on costs by "externalizing" them: making workers harvest wood on communal land, ignoring much-needed fallow periods, and over-exploiting the unpaid family labor of defenseless tenants.

"The World Bank emphasis is to help smallholders grow burley but it's naive to assume -- like the World Bank does -- that more money means people are better off," said Natalie Hahn, UNICEF's representative in Malawi. Most the households upon which UNICEF focuses have only an acre of land or less, she said. Almost a third are headed by women. Improving nutrition for these families means diversifying crops and encouraging the cultivation of indigenous foods, but that requires space taken by tobacco. And the money earned from cash crops to buy food can also buy beer.

"Men and women spend their money differently: sometimes there isn't a balance," Hahn said, noting that World Bank models can track cash flows but can't measure improved food consumption. "Does more cash mean children are nutritionally better off? Does it mean girls have the same access to education? That's not to say UNICEF doesn't want cash in the households. We do. We want a cash flow. But we also want to ensure that decision making about money and crops can lead to improved diets for children."

Malawi taught me an important lesson. The difference that I saw between money and food, tobacco and corn, and smallholders and large estates is the difference between theory and reality. Practical but fair development strategies must balance the two.

Sincerely,

Casey Kelso

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