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HELPING OR PLAYING GOD? AN ASSESSMENT OF THE IMPACT OF FOREIGN AID ON ECONOMIC GROWTH AND FOOD SECURITY IN MALAWI

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ABSTRACT

Food insecurity and poor economic growth continue to be the major challenge for Malawi despite increasingly growing foreign aid. Between 2007 and 2015, Malawi received over US\$1.3 billion, but real GDP growth went down. Today, over 2.8 million Malawians are affected by hunger due to poor maize harvest. While one would expect foreign aid to boost Malawi's economy and stabilize food security, the situation for Malawi is different. Most attribute food insecurity and poor economic growth to poor agricultural production due to unpredictable climatic conditions. However, this explanation seems weak considering that Malawi is endowed with myriad rivers that provide an alternative for irrigation agriculture. In addition, knowledge about unpredictable climatic conditions is not new to Malawians, and this should have awakened Malawians to scale up irrigation agriculture. This study argues that foreign aid is the main reason for Malawi's poor economic growth and food insecurity.

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INTRODUCTION

The decline of Malawi's economic growth while foreign aid is increasingly growing provokes different reactions among development professionals and economists both in the academic circles and on the ground. While most studies attribute poor economic performance to low agricultural productivity as a result of climate change, this explanation is weak because Malawi is endowed with rivers that offer an alternative for winter cropping. Factors that perpetuate economic crisis in Malawi seem to be beyond climatic conditions. In this paper, I seek to assess the impact of foreign aid on economic growth and food security in Malawi. Considering that food security is Malawi's number one priority and also an important indicator of economic performance, I will examine trends of maize production in relation to foreign aid received in the period 2007-2015 in order to understand the impact of aid on food security in Malawi. I will also analyze real GDP growth to determine its relationship with aid. I have chosen the period 2007-2015 for two reasons.

First, there is statistical evidence of negative correlation between economic growth and aid in this period. Also, the period 2007-2015 is recent and provides up to date information. I will argue that foreign aid creates dependency which impacts negatively on food security and economic growth in Malawi.

Background

Malawi is a landlocked country located in Sub-Saharan Africa. It is bordered by Mozambique to the South and West, Tanzania to the North East, and Zambia to the North West. Its total population is 17.7 million people with over 52.5 percent in the productive age group of 15-64 (NSO 2016). Geographically, the total landmass of Malawi is 94, 280 square Kilometers, 61 percent of which is suitable for crop husbandry (Eschweiler, 1993). In terms of poverty, Malawi is one of the poorest countries with 52 percent living below the poverty line, and 25 percent in ultra-poverty (The World Bank). The levels of literacy stand at 67.2 percent (NSO 2013), and 85 percent of the country's population live in rural areas (The World Bank). The main driving force of economy is agriculture. Previously, tobacco was the major crop grown for cash, but in recent years, production has gone down due to

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World Health Organization (WHO) anti-smoking campaign. Today, maize is taking over as a cash crop largely because it is the main staple food in Malawi and surrounding countries like Zambia, Tanzania, Mozambique, Zimbabwe and Kenya. Agriculture has been the backbone of Malawi's economy since independence in 1964. Chirwa *et al.* note that in the early years of independence Malawi was food secure and self-sufficient with economic growth at an average of 6 percent per annum because of agriculture (Chirwa *et al.*, 2008). During this period, foreign aid was not as much as it is today.

There were fewer charitable organizations compared to what the country has today. By September 2012, there were over 273 non-governmental organizations executing their projects in Malawi (Malawi SDNP). Most of these organizations mobilize funds in form of aid from western countries such as United States, Netherlands, Norway, United Kingdom, Germany and many others which are spent in Malawi to help the poor. However, poverty remains unabated in Malawi. While one would expect Malawi's economy to improve with foreign aid today, the country is poorer than it was between 1964 and 1972 when its economy operated without much foreign aid. Food insecurity has become Malawi's major challenge in this aid era. But before, the country was food self-sufficient as shown in figure 1 below. This situation calls into question whether foreign aid is helping Malawi or not.

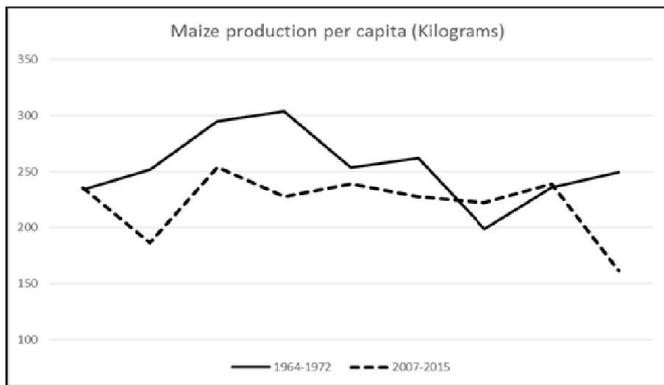
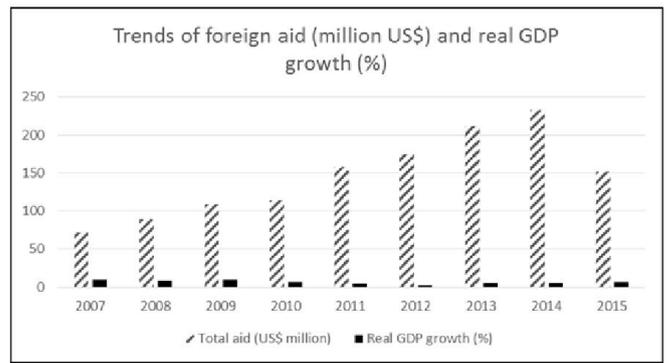


Figure 1. Malawi trends of maize production per capita in 1964-1972 and 2007-2015

Economic growth

International Monetary Fund (IMF) reports indicate that Malawi's economy has been declining in the period 2007-2015 (IMF 2014). Although promising growth was registered in some years, the trend generally shows a decline. For instance, in the periods 2008-2009 and 2012-2013, real GDP growth increased by 0.7 and 3.3 percent respectively. However, the variation of growth for each year from the average growth rate estimated at 6.27 percent was 5.82 percent, suggesting that real GDP growth was not evenly distributed and was generally declining as shown in figure 2. On the other hand, trends of foreign aid show a steady increase every year except for 2015. However, although 2015 registered aid decrease, it was still above the average aid received throughout the whole period of 2007-2015.



Source: USAID data

Figure 2. Malawi trends of foreign aid and real GDP growth in the period 2007-2015

To determine the relationship between foreign aid and GDP real growth, I used scatter graphs and test statistics using the critical value method at 0.05 significance level as follows.

$H_0: P = 0$ (No significant linear correlation)

$H_1: P \neq 0$ (Significant linear correlation)

Test statistics $R = 0.694118$ (computed from regression line on Excel)

$t = 2.3646$ computed from Excel with $n-2$ degrees of freedom
Critical value r :

$$r = \sqrt{\frac{t^2}{t^2 + (n-2)}}$$

$$= 0.666384$$

The test statistics $R > \text{Critical value } r$
Therefore, we reject $H_0: P = 0$

Interpretation of the findings

Since R is located above the critical value r , it means that foreign aid impacts negatively on economic growth. Thus, the more aid is received, the lower the real GDP growth. An interesting thing with this result is that there is evidence that the relationship between foreign aid and real GDP growth is negative since the test statistics R is greater than critical value r . While one would expect foreign aid to boost economy, Malawi's economy is growing worse. To understand this situation better, I also analyzed the relationship between foreign aid and maize production since maize is the measure of food security which is an important indicator of economic performance in Malawi.

Food security

Food security in Malawi where dependency on maize is 100 percent entails availability and accessibility of adequate maize of about 250 Kilograms per person per year to last until the next harvesting season. Maize is the main staple food cultivated annually on rain-fed agriculture with manually operated farm implements such as hoes and bull drawn ploughs. Ninety-seven percent of smallholder farmers in Malawi grow maize on small scale to feed themselves as daily food (NSO 2005). Traditionally, most households store their maize harvest in makeshift granaries and sell a small portion to buy fertilizer, seed and other related farm inputs for the next

growing season. They feed from their granaries and replenish them with next harvests. Thus, a household which is able to access maize up to the next harvesting period without depleting its granary is said to be food secure. This implies that a household that does not have adequate maize to take it to the next harvesting period is food insecure. Assessing the impact of food aid in relation to maize production in Malawi, Paul Jere suggests that free food which is distributed to hunger stricken households has a positive impact (Jere 2007, 16). He claims that households affected by hunger sell their labor to rich farmers for food, and do not have energy to work in their own maize fields. As such, they do not have enough harvest to sustain them throughout the year (Jere 2007, 16). This situation, according to Jere, traps the poor households into the vicious circle of food insecurity which is disrupted by food aid. Jere's view is that when the households that are affected by hunger are given free food, they fully spend their labor in their own maize fields which guarantees adequate yield and food security. However, my analysis of the relationship between maize production per capita and foreign aid which includes food assistance shows that there is no evidence to support Jere's claim. I tested the relationship at 0.05 significance level using the critical value method.

Test statistics $R = 0.092195$

Critical value $r = 0.666384$

Since $R < r$, we reject the alternative hypothesis $H_1: P \neq 0$

This shows that there is no evidence to support Jere's claim that aid impacts positively on food security. The positive correlation may be attributed to some residual factors during the first term of Bingu Wa Mutharika the third President of Malawi as discussed in section 3.2. Looking at the situation of Malawi today, it is clear that the country is food insecure. In 2014, over 1.5 million Malawians were affected by hunger (FAO 2013). In the period 2015/2016, Malawi registered 2.8 million people in need of food assistance because of hunger (WFP). All these people were helped through foreign aid from the international community. In 2013, Malawi received US\$212 million for various programs including hunger and agriculture (USAID). United States Agency for International Development (USAID) reports further that in 2014, Malawi received foreign aid to a tune of US\$232 million. In contrast to Jere's claim, the period 2007-2015 is generally characterized by low maize production with an annual average of 221 Kilograms per capita as shown in figure 1 above. However, this average is highly compensated by bumper yield of 2008/2009 otherwise the average could have been lower. A comparison of annual maize production per capita between the first eight years of independence (1964-1972) and the present period (2007-2015) in figure 1 shows a difference of 33 Kilograms, suggesting that a person who had over 5 bags of maize weighing 50 Kilograms each has less today. This prevailing food insecurity indicates that the economy of Malawi is declining. An interesting question is why Malawi's economy is underperforming when there is aid.

Theoretical explanations of food insecurity and poor economic growth in Malawi

Robert Chambers' perspective of poverty as entanglement: There are different theoretical explanations as to why Malawi's economy is underperforming despite receiving

foreign aid every year. Robert Chambers asserts that poverty is perpetuated by different traps that include vulnerability (1983, 103-139). In his perspective of poverty as entanglement, Chambers notes that the poor are more vulnerable due to lack of choices. In times of natural disasters like drought, it means that the poor will not cultivate crops due to lack of alternative agricultural options. A look at the trends of Malawi's economy through the eyes of Chambers may suggest that poverty is escalated by lack of buffers against drought, floods and other natural disasters that thwart agricultural production, which is the backbone of Malawi's economy. Thus, according to Chambers' perspective, Malawians are more vulnerable to poverty because they do not have access to financial services such as insurance for protective cover against shocks and risks when there is no or inadequate rain. Several studies on food insecurity in Malawi seem to agree with Chambers' perspective. Chirwa *et al.* (2008) attribute the decline of maize production in Malawi to poor weather conditions (Chirwa *et al.* 2008, 13). Their report which analyzes trends of maize production in the period 1970 to 2005 suggests that there is a high correlation between maize production and rainfall in Malawi, and that dependency on rain-fed agriculture subjects maize production to failure especially in times of adverse weather (2008, 21). This view is shared by Heather G. Moylan who notes that severe negative rainfall shocks impact significantly on agricultural production in Malawi (Moylan 2012, 43).

In her assessment of the impact of rainfall variability on agricultural production and household welfare in rural Malawi, Moylan concludes that rainfall has a direct bearing on agricultural production (Moylan 2012, 43). This, suggests that without rainfall, Malawians are hopeless, insecure and subject to hunger because their crops will fail. However, although Chambers' view provides clues for understanding food insecurity in Malawi, it ignores alternatives which the poor can utilize for sustenance such as winter cropping. In this case, Malawi should not be grappling with food insecurity because it is endowed with rivers that flow throughout the year. Examples of rivers include Shire, Nkurumadzi, North and South Rukuru, Mzimba, Songwe, Linthipe, Dyamphwe, Malingunde and Lisungwi. These rivers offer an alternative for agricultural production through irrigation. In addition, winter cropping is easier today because of low cost irrigation technologies such as treadle pumps. Malawi has an estimate of over 4 million hectares of arable land, but only 2.3 percent of which was under irrigation in 2010 (Kumwenda *et al.* 2015, 9). Given that a hectare yields 6-9 metric tons of maize (FAO 2016), winter cropping could yield over 23.5 million metric tons which is enough to feed the present population of 17.7 million for at least 5 years. Considering that variations of rainfall were noticed before 2000, it should have been a wakeup call to Malawians to scale up irrigation agriculture. With this in mind, poor weather conditions is not a valid explanation of food insecurity and poor economic growth in Malawi. It seems that the reasons for food insecurity and poor economic performance are beyond poor weather conditions.

Bryant Myers' views of poverty

In his views about poverty, Bryant L. Myers warns against limiting the definition of poverty to material deficits because it invites programming that primarily focuses on provision of

materials which the poor do not have (Myers 2011, 114). According to Myers, there is temptation for those who donate the missing materials to become gods to which the poor look for help. As a result, the poor are demeaned, devalued and reduced to passive recipients of aid who cannot do anything on their own to meet their needs (Myers 2011, 114). They lose self-confidence and become dependent. Jayakumar Christian calls this state of dependency *marred identity* (Christian 1999, 139). When the identity of the poor is marred, Christian asserts, they become like objects which those who play god manipulate to maintain their superiority (Christian 1999, 140). Thus, the treatment which the poor receive from those who play god end up becoming their view of themselves like an identity (Myers 2011, 114). And this dependency perpetuates poverty among the poor. Myers' perspective seems to offer a perfect explanation to Malawi's poor economic growth in the wake of increasingly growing foreign aid.

It looks like foreign aid has influenced Malawians to view themselves as people who cannot stand on their own without external assistance. This can be traced back to 1980s when Malawi suffered transportation problems due to intensification of the Mozambican civil war which had devastated Malawi's major trade route, Beila-Nacala corridor (Harrigan 1991). This meant that Malawi would not be able to transport fertilizer and other imports as well as exporting goods to other countries. As a result, Malawi's economy was negatively affected. GDP fell from 8.3 percent to 3.9 percent in 1979 (Chirwa *et al.* 2008, 1). Malawi's GDP continued to decline and reached -1.1 percent in 1980 and -4.7 percent in 1981 (Chirwa *et al.* 2008, 1). This situation, according to Harrigan, forced Malawi government to adopt World Bank structural adjustment programs and IMF stabilization measures so that it could receive more foreign aid in order to recover from the economic crisis (Harrigan 1991). However, Malawi's economy continued to fall and agricultural performance failed to get back on track. Since more foreign aid started coming in, the growth of maize production per capita and the economy of Malawi in general has been erratic, and poverty remains high across the country. The government cannot operate without foreign aid. This spirit of dependency on foreign aid has trickled down to local individuals. Malawians who have power because of wealth or political influence use the poor as objects in order to maintain their power. With multiparty democracy today, manipulation of the poor has grown worse. According to Common Wealth reports, Malawi's former ruling party People's Party (PP) used to distribute free maize to entice voters during their campaign for 2014 presidential elections (Common Wealth 2014, 14). During the same campaign period, Democratic Progressive Party (DPP) promised several things for free such as iron sheets, and maize as a development agenda. Distribution of free maize has become a common political tool in Malawi. Also, Bakili Muluzi, Malawi's first president in the multiparty democracy era used free service provision to remain in power.

Lisa Gilman records that Muluzi's party the United Democratic Front (UDF) offered a wide range of free materials and services including transportation, cloths, maize and money during 1999 and 2004 presidential elections (Gilman 2009, 114-15). While this offer of free services may look like generosity, it enhances the sense of dependency which makes Malawians view themselves as passive recipients of aid who

cannot stand on their own. It erodes away a hardworking spirit and make them believe that they need help even for things they can do on their own. Today, some Malawians want everything for free. Recently, some Malawians have been demanding free housing (Khamula 2016). These Malawians no longer trust their own capabilities to improve their livelihood. They have a *marred identity*. This spirit of dependency might have contributed towards food insecurity and poor economic growth. Dependency syndrome is being escalated by handouts of free things by some charitable organizations. There are organizations in Malawi who only focus on giving out free things including food to Malawians.

This approach treats Malawians as victims who need help and continues to promote dependency. In contrast, Christian suggests that when the poor are empowered and helped to recognize their capabilities, they regain their identity as humans with potential to work hard and achieve wellbeing (Christian 1999, 140). A classic example is President Bingu Wa Mutharika's leadership during his first term between 2004 and 2009. Mutharika promoted the spirit of economic independence among Malawians. His attitude was that Malawi is not a poor country. He appealed to Malawians to work hard. This might have contributed towards staggering GDP real growth rates by 9.5, 8.3 and 9 percent in the years 2007, 2008 and 2009 respectively (USAID). In the same period, Malawi also experienced a record bumper yield of 3.8 million metric tons of maize which briefly made the country food secure (FAO 2013, 2). It might be said that Malawians were beginning to regain their lost identity because of Mutharika's positive attitude, hence increased maize production and promising economic growth. Similarly, Malawi's founding president, Hastings Kamuzu Banda had a similar ideology that Malawi is not a poor country. He encouraged smallholder farmers to work hard, and promoted the notion that Malawi's future is in the hands of Malawians. As a result, maize production soared and Malawi was food secure for almost two decades before the Mozambican civil war in early 1980s. Therefore, it could be suggested that aid is a factor that contributes towards food insecurity and poor economic growth in Malawi.

Conclusion

Malawi's food insecurity and poor economic growth is not only attributed to poor weather conditions, but also provision of free services in the name of aid. While aid is an act of philanthropy, it can be more damaging than constructive. People who receive free services begin to consider themselves as victims who need someone to help them. They put their hope on aid and become dependent. As such, their level of productivity goes down, resulting into food insecurity and poor economic growth both at household and national levels. Learning from Malawi's experience with Kamuzu Banda and Bingu Wa Mutharika, there is evidence which suggests that when people regain their confidence and recognize their capabilities, they champion their own livelihood transformation. Therefore, to improve food security and economic growth in Malawi, it is strongly recommended to advance development approaches that empower Malawians to encourage self-reliance rather than counting on foreign aid and free services.

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