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**MADIA**



**MANAGING AGRICULTURAL  
DEVELOPMENT IN AFRICA**

AGRICULTURAL DEVELOPMENT IN SOUTHERN AFRICA:  
AN ASSESSMENT OF  
A.I.D. ASSISTANCE TO MALAWI

DIRK W. DIJKERMAN

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AN ASSESSMENT OF A.I.D. ASSISTANCE TO MALAWI

by

Dirk W. Dijkerman

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## Glossary

ADD	Agricultural Development Districts.
AID	Agency for International Development. In this report, AID refers to the agency as a whole, both its field and Washington offices.
AID/W	AID/Washington. This refers to AID's offices in Washington only.
CDSS	Country Development Strategy Statement. The current AID mission planning document.
CIMMYT	International Center for the Improvement of Maize and Wheat.
"commodities"	AID's use of the term "commodities" includes materials, equipment, and other project inputs that are not technical assistance, construction, or training. Its use typically does not denote agricultural goods, such as wheat, rice, and so forth.
DA	Development Assistance. One of the categories of funding AID receives from Congress. DA is further broken down by Functional Account (FA).
DAP	Development Assistance Plan. The AID mission planning document before AID instituted the CDSS.
EPRP	Economic Policy Reform Program.
ESF	Economic Support Fund.
FA	Functional Accounts. The Functional Accounts (FA) are the subaccounts of Development Assistance (DA). Examples of FA include Health and Population, Agriculture, Rural Development and Nutrition, and Child Survival. Congress sets the levels of the various FA to direct the AID program to certain areas.
FAA	Foreign Assistance Act. The legislation which guides AID, but not food aid, which is guided by Public Law 480.
FAR	Federal Acquisition Regulations.
FSR	Farming Systems Research.
"Government"	As used in this report, Government will denote the Government of Malawi unless otherwise specified.
ICA	International Cooperation Agency, one of AID's predecessor agencies.
IDA	International Development Association (World Bank).
IFAD	International Fund for Agricultural Development.
ISNAR	International Service for National Agricultural Research.
MADIA	Managing Agricultural Development in Africa. -The World Bank study of which this report is a part.
MARE	Malawi Agricultural Research and Extension Project.
MSP	Mutual Security Program. The umbrella term given to the various programs and agencies which were AID's predecessors.
NRDP	National Rural Development Plan. Malawi's national development plan.

OECD            Organisation for Economic Cooperation and Development.  
OSARAC        Office of the Southern Africa Regional Affairs  
                 Coordinator.  
PID            Project Identification Document. A short paper  
                 outlining the essentials of the proposed project and  
                 preliminary in nature.  
PP             Project Paper. AID's project planning document upon  
                 which AID/W approval is obtained.  
REDSO/ESA    Regional Economic Development Service Organization for  
                 Eastern and Southern Africa. REDSO/ESA is based in  
                 Kenya.  
SAL            Structural Adjustment Loan.  
USAID         United States Agency for International Development.  
                 The term commonly used by others to refer to the entire  
                 agency. In this report it is synonymous with AID.  
USAID/M      Acronym referring to the AID mission (office) in  
                 Malawi.  
WID            Women in Development. Office in AID.

## CHAPTER I. INTRODUCTION AND SUMMARY

The Agency for International Development (AID) has been providing assistance to Malawi for agricultural and rural development for the past twenty-five years. The purpose of this report is to examine the nature and the development impact of that assistance so as to learn how AID's future efforts in Malawi and elsewhere in Sub-Saharan Africa can be made more effective.

The first task in conducting this study was to document AID's agricultural and rural development program in Malawi. Subsequent work included analyzing the way AID's organization, procedures, and institutional context have shaped this program; assessing the program's contribution to Malawi's development; and formulating recommendations to improve AID's effectiveness. Information has come from AID records in Washington, its regional office in Nairobi, and the country mission.<sup>1</sup> (For convenience, the AID country mission in Malawi will be

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<sup>1</sup>Among the AID documents reviewed are Congressional Presentations (CPs), Development Assistance Plans (DAPs), Country Development Strategy Statements (CDSSs), Field Budget Submissions (FBSs), Project Budget Submissions (PBSs), Project Papers (PPs), Project Evaluation Summaries (PESs), special evaluations, AID audits, end-of-tour reports, materials contained in project files, and AID/W reports.

referred to as USAID/M while AID in Washington will be referred to as AID/W.) In addition, present and former AID employees, AID contractors, Malawians and others associated with the AID program over the years were interviewed. To supplement these sources, the author paid several visits to Malawi during the latter part of 1985 and in 1986.

Earlier drafts of this report were circulated as an integral part of the research process. These drafts were in a rough form and were intended to elicit responses from those who have been intimately involved in AID's work in Malawi. Comments on the accuracy of the findings in the drafts as well as on further insights into AID's role in Malawi then led to an additional round of research and to a number of revisions and refinements. The iterative use of documents, interviews, and field trips has produced a report in which one can have considerable confidence.<sup>2</sup>

This report is distinctive from other evaluations of AID in several ways. It traces the evolution of AID efforts over a long period of time. It focuses on the agricultural program as a whole, but also on individual projects to learn how they interface over time. Finally, the analysis examines AID's institutional environment as a factor influencing the performance of its programs and projects.

This is one of six studies of AID programs in Sub-Saharan Africa;

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<sup>2</sup>Earlier drafts should be discarded for they only partially represent the findings in this final report.

the others are on Tanzania, Kenya, Nigeria, Cameroon, and Senegal.<sup>3</sup> A summary volume by Bruce Johnston and Allan Hoben (1986) draws together elements from all the country studies.

These six studies are also part of a larger World Bank study titled Managing Agricultural Development in Africa (MADIA), for which similar research is being conducted in the United Kingdom, Denmark, Sweden, West Germany, France, the EEC and the World Bank. The purpose of the overall MADIA study is to develop the basis for a consensus among Africans and donors about how most effectively to improve the performance of Africa's agricultural sectors and related rural development activities. MADIA is under the direction of Uma Lele in the World Bank's Development Strategies Division in the Development Research Department.

In this report, an analysis of what AID has done in Malawi is presented. Chapter II gives a statistical overview of the AID program in Malawi -- its size, content, and changes over time. Chapter III examines the strategy pursued by the country mission, USAID/M, to promote agricultural development, and relates it to the prevailing development and political concerns of the United States, the preferences of the Government of Malawi, the state of Malawi's economy, and the projects selected for funding. Chapter IV presents case studies of four AID programs chosen to illustrate the factors affecting the design, implementation, and performance of AID projects. Chapter V assesses the development impact of AID in Malawi, and

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<sup>3</sup>The author is also drafting the Tanzania and Kenya country reports. William Jaeger is responsible for drafting the three West African country reports.

Chapter VI sets forth the report's conclusions and recommendations.

### AID in Malawi

The AID program in Malawi was formally established in the late 1950s, but remained small in dollar terms until the early 1960s. Between 1963 and 1984, Malawi received some \$105 million of assistance from the US, or about \$190 million in constant 1983 dollars. Of total US assistance to Malawi, 87 percent was managed by AID (development assistance accounting for 79 percent and food aid for 8 percent). The rest of US assistance was allocated to a number of small US programs such as the Peace Corps. Of the development assistance managed by AID, about one-third financed road construction while the rest has been allocated in smaller amounts to agricultural education, agricultural research, rural water, community development, and rural enterprise. In the 1960s and 1970s, the development assistance was all projectized. However, in the 1980s, non-project assistance has grown in importance.

The AID experience in Malawi can be divided into three periods: 1963-68, 1969-79, and 1980 to the present. During the first period AID Washington guidelines to the mission in Malawi were to develop a program that would be flexible and experimental in nature, and that would not create an obligation for future support by the US or other donors. AID had concluded that Malawi was not likely to reach a stage of self-sustaining economic growth for some time. The bulk of US aid resources was to be channeled to other countries with greater development potential or political importance. The program developed

by the AID mission in Malawi focused heavily on education, a high priority of the Malawian Government and an obvious need in the newly independent country. The mission developed an average of about three new projects a year. Most of them were small -- averaging under \$1 million. Projects were undertaken to train artisans, teachers, and government employees. One project undertaken, helped establish along with the United Kingdom, an agricultural college that still trains most of Malawi's agriculturalists. Another project helped establish a polytechnic institute to train artisans. After education, information gathering and analysis was the type of activity most heavily supported through AID projects. Near the end of this period AID financed part of a major road that had long been a high priority of the Government.

The second period (1969-79) began with the closing of the AID mission in Malawi in 1969, as part of a US effort to increase the cost-effectiveness of AID in Africa and to focus assistance more on those African countries with development potential and political importance. Ongoing activities were to be completed as scheduled. In one case, the mission and the Government of Malawi requested a follow-on project at the agricultural education institution AID had helped establish, but AID in Washington rejected the request.

AID assistance to Malawi did not decline as expected, but rose -- through regional programs -- with the rising US political interest in Malawi. Malawi was one of the few countries in Southern Africa whose position on the conflict in that turbulent region paralleled that of the US. The construction of two large roads, justified on regional political grounds, constituted the bulk of AID assistance during this

period.

In response to the Government of Malawi's continued request for assistance with agricultural education, AID funded a very small education project, and later initiated plans to reopen a mission and to launch major new projects in education and research. At the end of the 1970s, AID signed two projects that resumed assistance to institutions AID helped establish in the early 1960s (the agricultural college and the polytechnic), as well as an agricultural research project.

Throughout this period the rest of the Agency was implementing the New Directions legislation passed by Congress in 1973. This new Agency-wide strategy passed Malawi by largely because the AID program there was a regional program undertaken for political reasons, and because there AID mission was present in Malawi to implement New Directions-type projects, which tended to be labor-intensive in terms of AID staff time.

The reopening of an AID mission in Malawi in late 1979 marks the beginning of the third period. About this time the Agency-wide development priorities began to shift away from the New Directions emphasis of the 1970s to the promotion of free markets, private-sector investment, and policy reform. Malawi's standing within AID and the development community improved sharply since it was seen as one of the few countries in Africa with relatively few serious economic distortions and with a government that exercised effective macroeconomic management. In no small part because of this generally positive reputation, AID's interest in and assistance to Malawi has

risen rapidly in recent years.

Since 1980 the mission has begun to pursue an agricultural strategy that focuses on expanding Malawi's ability to conduct agricultural research attuned to the needs of smallholders, and on reducing distortions caused by the Government's involvement in the sector. Closely paralleling AID's general development strategy, the mission's strategy seeks a reduced role for the Government and a greater role for market forces, particularly in the agricultural sector. The new activities are being closely coordinated with other donor activities, particularly those of the World Bank. New projects have the objectives of divesting parts of an agricultural parastatal, diversifying agriculture, increasing Malawian private-sector involvement in commercial transport, providing management assistance to rural traders, and removing a fertilizer subsidy. A new agricultural research project that builds on the experience of the earlier one has also been undertaken. Although this report only goes through 1985, the mission is still pursuing this general strategy.

#### Assessing AID's Contributions

AID has multiple objectives, of which promoting development is one. This assessment focuses on AID's contribution to promoting development in Malawi. AID's success in attaining other objectives is not examined, thus, the overall impact of AID assistance may differ from what is concluded in this report.

The development impact of AID assistance to Malawi is assessed in terms of how the strategy and projects contributed to agricultural and

rural development. Development is viewed as the generalized and sustained process of capital accumulation, the term capital being used in a broad sense to include the physical dimension (roads, buildings, equipment), human dimension (training), and social dimension (institutional development, technology). It encompasses the establishment of efficient social and economic mechanisms for maintaining and increasing stocks of capital, including policies and institutions which permit and encourage efficient utilization of that capital. Finally, it implies the need for balance among the types of activities undertaken, since contributions to development are enhanced when the different forms of capital complement each other and interact effectively. A more thorough presentation of this conceptual framework for evaluating the development contribution of AID assistance is presented in the companion report by Johnston and Hoben (1986).

AID has contributed to Malawi's physical capital base by constructing a road which opened new agricultural areas, by providing infrastructure for the national university and research system, and by providing commodities such as books, vehicles and other equipment. Political criteria rather than developmental criteria determined the selection of the two major roads upgraded during the 1970s. While the development alternatives to the roads projects are unclear, building roads was preferable to financing an activity that would require additional and steady assistance for longer than the political motivation for providing that assistance might last.

AID has also been effective in increasing Malawi's stock of

trained human capital directly -- through the training of Malawians -- and indirectly -- through the support of institutions that train others.

AID's record on increasing Malawi's social capital through agricultural institution building and technology transfer has been mixed. Assistance to the country's agricultural college for institutional development has been effective; assistance to the national research program has been less so. The recently signed follow-on research project is promising because it incorporates many of the lessons learned from the earlier AID project, has a larger group of trained Malawians and a better physical infrastructure base to work with, and is the product of several years of planning and analysis involving the Government, AID and the World Bank.

The following chapters identify some of the factors that have constrained the development impact of AID assistance in Malawi and that are attributable to AID itself. They factors are well-recognized by most AID staff. These include problems with AID's project design and approval process, specifically the inability of USAID/M or AID/W to screen out unrealistic project assumptions, the difficulty of providing qualified technical assistance personnel, the lack of continuity among AID staff or consultants, and the limited institutional memory of AID.

The recommendations with which this report concludes suggest ways to improve AID's institutional ability to work effectively with the Malawian Government in fostering agricultural development. In general, they seek to improve AID's ability to attune programs and

projects to the particular circumstances prevailing in the country.

The impact of AID assistance has been determined not only by the role AID itself has played, but also by the role Malawians have played in the selection, design, and implementation of projects and programs. Prior to the 1980s, as already noted, AID had relatively little development interest in Malawi and no coherent strategy for the country's agricultural sector. As a result, Malawi had a substantial influence on the composition of its AID program, perhaps more so than any recipient covered in these studies. Fortunately for the performance of AID projects, the Malawian Government has historically been fiscally conservative and has taken a pragmatic approach to technical matters -- two characteristics which account for its currently good reputation.<sup>4</sup> While these characteristics do not guarantee trouble-free economic development, they do reduce the likelihood of serious problems arising and of solutions being judged from an ideological perspective. Moreover, Malawians have been adept at learning from their experience with AID projects. Evidenced from for this is the they have managed and maintained AID education and roads projects, and the way they have modified the national agricultural research program in light of the mixed performance of the first AID research project.

Although it is too early to determine the overall effect of AID's increased attention to Malawi in the 1980s, there is some reason for

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<sup>4</sup>AID's experience in Malawi stands in sharp distinction to its experience in Tanzania. The Tanzanian Government was not fiscally conservative, and it did not show a pragmatic approach to technical matters when selecting development projects (Dijkerman, 1986b).

concern. As in the other countries studied, so in Malawi the greater flow of assistance may result in the obligation of monies before a project has been carefully planned and attuned to the prevailing situation. A continuation of the Government's active participation in the process may ameliorate the negative consequences of AID's annual pressure to obligate its resources.

#### AID Country Programs

The influences that impinge on any AID country program are many and complex. The AID mission in a country is the organization primarily responsible for developing the country strategy and projects. It has the difficult task of promoting development while simultaneously dealing with the many pressures from AID headquarters in Washington, Congress, the Administration, the State Department, the Department of Agriculture, the Treasury, and US interest groups -- as well as the pressures found in the recipient country.

AID missions develop country strategies to guide program content. Missions devote considerable time to developing and defending their chosen strategies. Typically, projects are then selected to attain specific strategy objectives.

An analysis of the content of AID's programs over time and across countries suggests that two sets of factors shape an AID country strategy. These can be termed "US concerns" and "local concerns." US concerns include the political, strategic (that is, military), and development interests of Congress and other interested parties. They form an umbrella under which the mission strategy must fit. Local

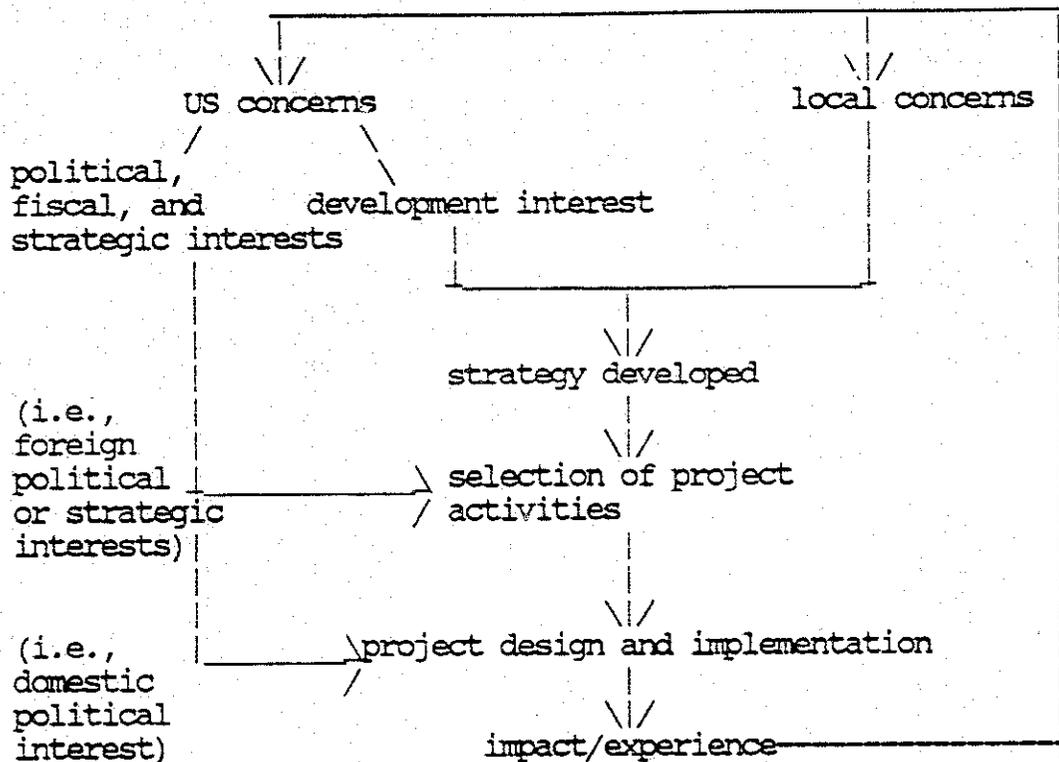
concerns include economic, social, and political factors in the recipient country, such as the government's development objectives and the country's stage of economic development.

US and local concerns combine, though not necessarily in equal proportions, to influence the strategy developed by a mission. Once a mission strategy has been developed, it is translated into action through the selection of projects. What seems to happen at times, however, is that the link between US concerns and projects selected is a direct one, circumventing the intermediate link -- strategy -- and so reducing the potential influence of local concerns. This happens when US political and strategic concerns become overriding. For example, some projects not part of the mission's strategy, may be selected because of the need to spend sharply higher assistance levels, or to accommodate the concerns of a US interest group.

After a project has been selected, it must then be designed and implemented. The evidence suggests that this process can also be directly influenced by US concerns. Examples include the US domestic political concern that AID dollars be spent in the US (so-called aid-tying), or that certain types of US contractors be employed.

The various influences determining how an AID country mission shapes a development strategy and selects specific projects are summarized in Figure 1.

Figure 1. Major Influences on the Selection of Strategy and Projects by AID Missions.



Source: author.

## CHAPTER II. OVERVIEW OF THE AID

### PROGRAM IN MALAWI

This chapter describes the extent and the nature of AID assistance to Malawi and how these have changed over the years. First, however, it is necessary to explain certain technical peculiarities of the data on which the analysis rests.

Determining how much assistance AID has provided to Malawi is not a simple matter. There are several ways in which AID transfers resources to Malawi. The bulk moves through a bilateral account designated specifically for Malawi (612).<sup>1</sup> Other channels are the Africa Bureau's Africa Regional (698), Regional USAID/Africa (697), Southern Africa Regional (690), and East Africa Regional (618) accounts.<sup>2</sup> Additional resources reach Malawi through the accounts of AID's Washington-based central bureaus, such as the Science and Technology Bureau. The difficulty arises because monies moving through the regional and central accounts are usually not identified by the country or countries in which the project takes place, so little is known about their distribution. This frustrates efforts to determine the total AID resources going to a country. The estimates of AID

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<sup>1</sup>The number in parentheses denotes the AID account number.

<sup>2</sup>There are other Africa regional accounts, but they are specifically for West African countries. Together, the Africa Bureau's regional accounts amounted to \$945 million or almost 15 percent of AID's total budget for Africa for 1963-84.

flows presented in this report reflect primarily the bilateral account totals for Malawi and so underestimate actual AID assistance to Malawi. Several major projects financed from regional accounts could be identified as located in Malawi, however, and these are included in the country total.

Another problem stems from discrepancies in the financial data presented in different AID reports and in what AID provides to other reporting organizations such as the Organisation for Economic Cooperation and Development (OECD). Such discrepancies among sources complicate the task of trying to establish what AID actually did. This, in turn, raises questions about AID's ability to determine accurately the breadth and depth of its past activities.

Furthermore, caution must be exercised in interpreting AID obligation and expenditure data. An examination of the financial data for Malawi in Figures 2a and 2b reveals abrupt shifts over time. This has led some observers to charge that annual changes in AID funding make it difficult for a recipient country or AID mission to plan long-term strategies. However, such a conclusion must be qualified because part of the apparent instability of the data results from the various ways AID registers obligations and expenditures. For example, when a new project is signed it may or may not be fully obligated in that year; what is done will determine how stable the assistance flow looks. By the same token, if expenditures are recorded after the fact ("cost reimbursement basis") a different pattern emerges than if a lump sum is paid to a contractor before the service was performed. Figure 3 compares the obligation and expenditure patterns of two

FIGURE 2a. AID OBLIGATION AND EXPENDITURES IN MALAWI, 1963-84,  
IN CURRENT DOLLARS

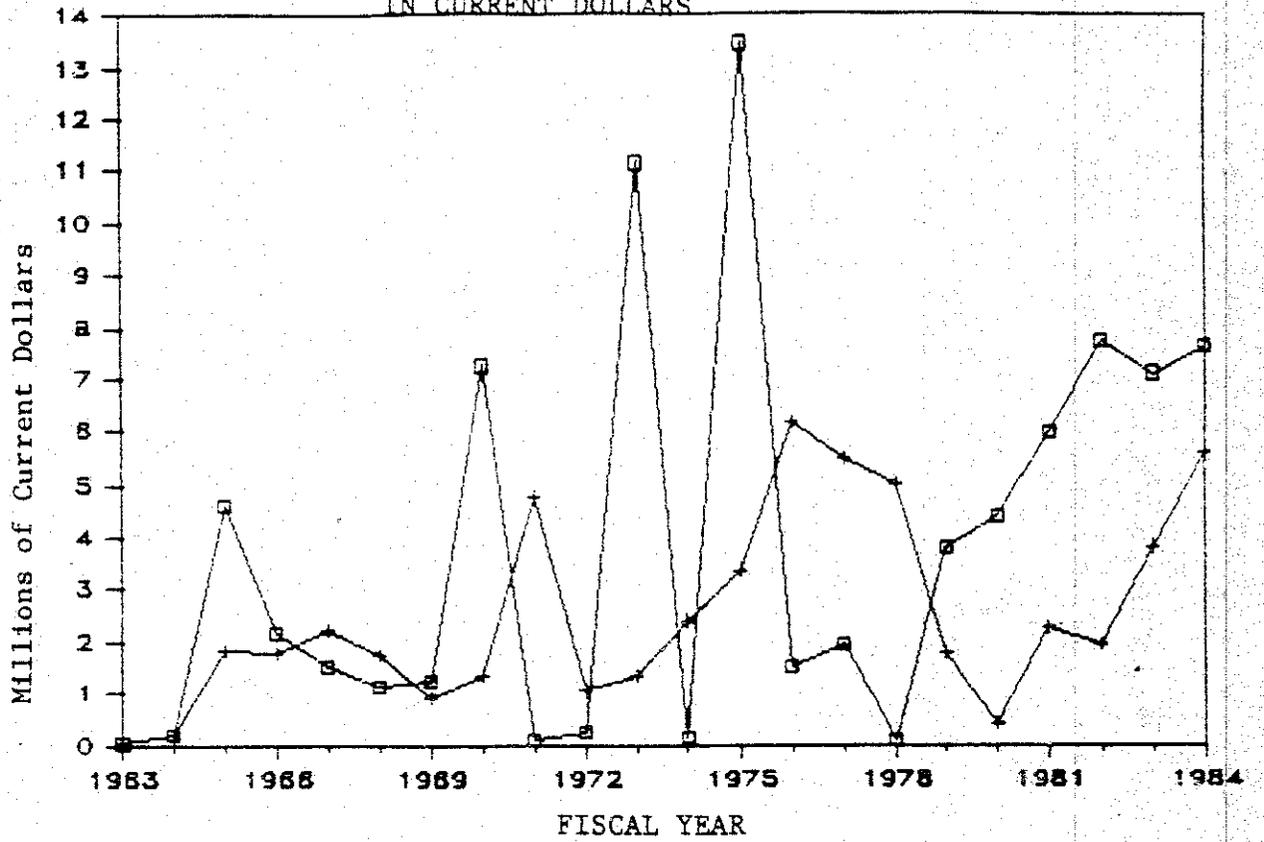


FIGURE 2b. AID OBLIGATIONS AND EXPENDITURES IN MALAWI, 1963-84,  
IN CONSTANT 1983 DOLLARS

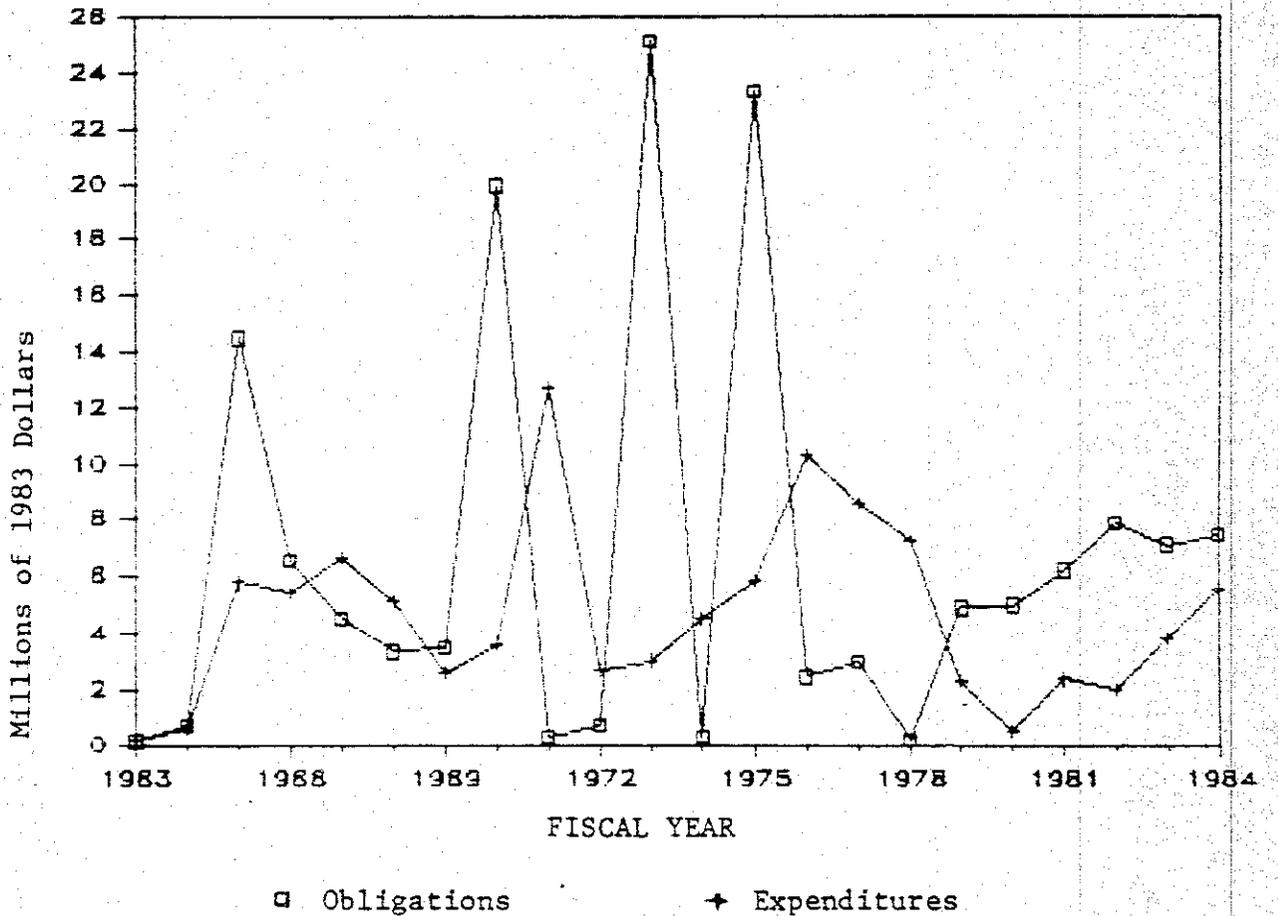
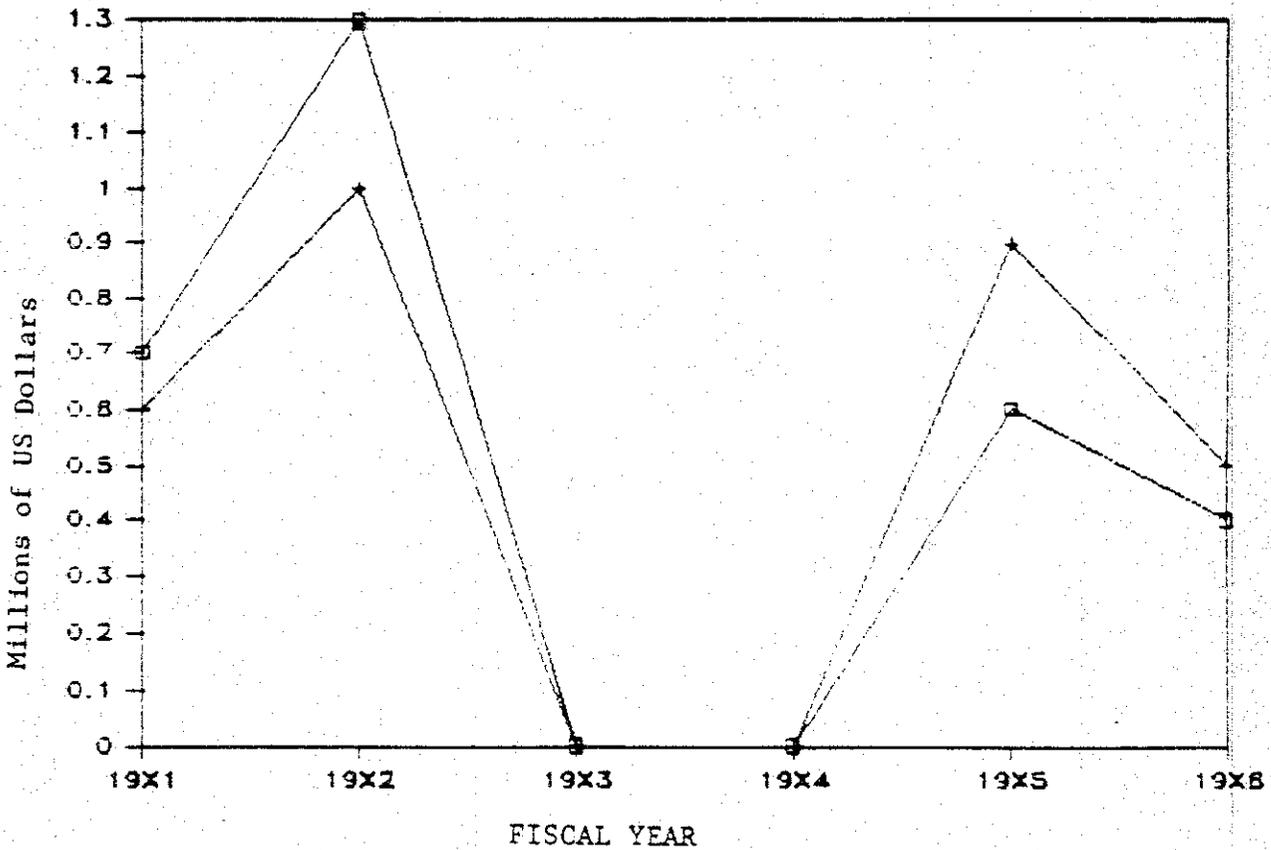
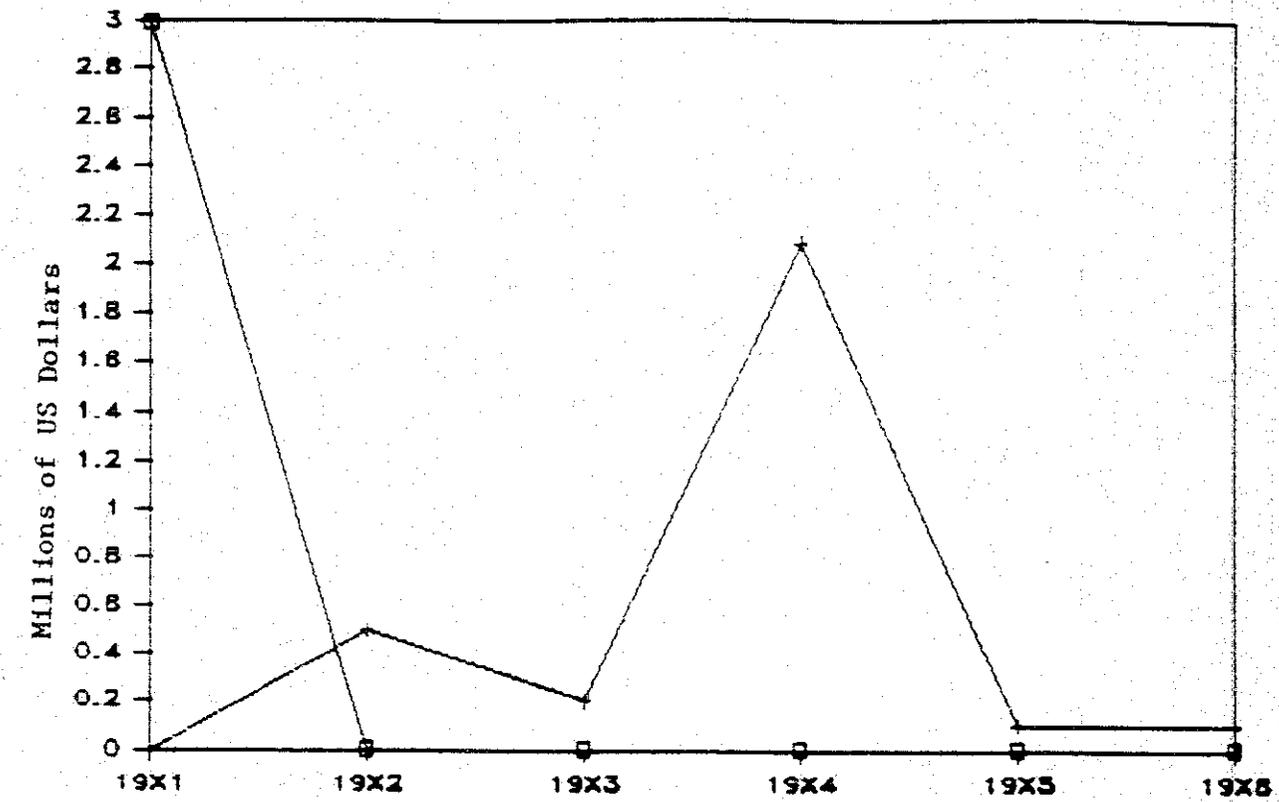


FIGURE 3 . OBLIGATION AND EXPENDITURE PATTERNS FOR TWO SIMILAR PROJECTS



□ Obligations      \* Expenditures

similar projects.

Another reason for the apparent instability of the data may be the size of a new project relative to the size of the overall AID country program. The larger its size is, the greater the likelihood that total assistance will appear unstable -- when in fact this reflects the lumpiness of the investment.

Finally, instability results from the fact that AID country figures typically exclude regionally and centrally funded projects. In some cases, their inclusion would stabilize the financial data.<sup>3</sup>

In spite of these complications, this report uses obligations as the basis for measuring AID assistance. The obligation cycle appears to coincide more closely than the expenditure cycle with changes in other factors that influence an AID program, such as US political concerns.

#### Total Assistance

AID is the main vehicle through which the US provides direct assistance to Malawi.<sup>4</sup> US assistance to Malawi between 1963 and 1984 totaled about \$105.5 million; see Table 1.<sup>5</sup> Of this total, AID

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<sup>3</sup>See companion country reports on Cameroon and Senegal.

<sup>4</sup>Indirect channels include the World Bank, the International Monetary Fund, and programs funded by the United Nations.

<sup>5</sup>Before 1963 US aid to Malawi is believed to have been minimal. One AID report notes a \$10 million loan in 1959 (AID, 1985b). But its purpose remains a mystery since at that time Malawi was still a British protectorate within the Federation of Rhodesia and Nyasaland. No other reference to the loan has been found in AID documents.

In constant 1983 dollars, US assistance between 1963 and 1984 totals roughly \$190.9 million (Table 2).

TABLE 1. US ASSISTANCE TO MALAWI, 1963-84, IN CURRENT DOLLARS.

SECTOR/Sub-Sector	TOTAL	1963-66	1967-70	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
-----thousands of US dollars-----																	
A.I.D. PROJECT & PROGRAM ASSISTANCE	83,300	7,016	11,117	100	269	11,167	130	13,452	1,484	1,925	99	3,788	4,382	5,974	7,720	7,079	7,590
AGRICULTURE	16,171	1,809	912	0	125	241	0	0	1,445	1,850	(9)	3,298	1,648	2,700	2,152	0	0
of which:																	
Crop Production	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Storage & Processing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Input Supply	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Credit	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Research	9,000	0	0	0	0	0	0	0	0	0	0	2,500	1,648	2,700	2,152	0	0
Extension	2,721	1,809	912	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Education & Training	4,450	0	0	0	125	241	0	0	1,445	1,850	(9)	798	0	0	0	0	0
Planning & Management	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Irrigation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Marketing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Livestock	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Forestry	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Fisheries	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
RURAL DEVELOPMENT, excluding agr.	47,227	826	7,471	0	(8)	9,571	0	13,400	0	0	0	394	1,234	1,926	2,869	4,354	5,190
of which:																	
Infrastructure	33,168	653	7,332	0	12	9,571	0	13,400	0	0	0	0	0	0	0	0	2,200
Health & Population	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Education	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Water Supply	6,000	0	0	0	0	0	0	0	0	0	0	0	700	1,700	2,869	731	0
Community Development	2,635	132	109	0	0	0	0	0	0	0	0	394	534	226	0	795	445
Industry	5,424	41	30	0	(20)	0	0	0	0	0	0	0	0	0	0	2,828	2,545
ALL OTHER A.I.D.	19,902	4,381	2,734	100	152	1,355	138	52	39	75	108	96	1,500	1,348	2,699	2,725	2,400
PL 480 FOOD AID	8,700	100	100	100	800	300	100	400	400	500	200	200	1,100	2,900	100	200	1,200
OTHER ECONOMIC ASSISTANCE (1)	13,500	4,500	3,600	400	300	200	200	200	200	0	0	400	400	600	900	800	800
GRAND TOTAL	105,500	11,616	14,817	600	1,369	11,667	438	14,052	2,084	2,425	299	4,388	5,882	9,474	8,720	8,079	9,590

(1) not elsewhere specified

Sources: calculated from:

AID, W-253 Reports, selected years.

AID, CONG-R-0105 Reports, selected years.

development assistance accounted for 79 percent or \$83.3 million. Food aid, which is administered jointly by AID and USDA, contributed another 8 percent. The rest is comprised of all other US economic assistance programs, including the Peace Corps. When the assistance is converted to constant 1983 dollars as in Table 2, AID's role as the primary manager of US assistance to Malawi is again seen to be substantial.

Regionally and centrally funded projects have been a significant part of the AID program in Malawi. Those that could be identified accounted for \$23.3 million of the \$83.3 million total obligated by AID, or 28 percent. Given the problem of attributing monies from regional and central sources to a specific country, however, this figure is a minimum. These funds appear to be more important in Malawi than in Kenya or Tanzania. The reason is historical: when the mission in Malawi was closed during the 1970s, all AID money to Malawi went through regional accounts. AID did not close its missions in Kenya and Tanzania in the 1970s.

The AID program to Malawi is roughly 1.6 percent of total AID assistance to Africa during 1963-84, which is less than the country average of 3 percent suggested by dividing total assistance by the average number of countries with AID programs for 1963-84. This simple calculation supports the general perception that the AID program in Malawi has historically not been a major one. On a per capita basis, AID assistance to Malawi has averaged \$1.33 a year -- which is at the low end of the spectrum compared with AID assistance to other countries in Africa (Senegal: \$3.25; Kenya: \$2.10; Tanzania:

TABLE 2. US ASSISTANCE TO MALAWI, 1963-84, IN CONSTANT DOLLARS.

SECTOR/Sub-Sector	TOTAL	1963-66	1967-70	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
-----thousands of US dollars-----																	
A.I.D. PROJECT & PROGRAM ASSISTANCE	146,732	21,819	31,321	266	605	25,133	261	23,316	2,459	3,005	144	4,875	4,946	6,181	7,819	7,079	7,424
AGRICULTURE	25,517	5,638	2,673	0	318	542	0	0	2,394	2,888	(13)	4,244	1,860	2,794	2,180	0	0
of which:																	
Crop Production	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Storage & Processing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Input Supply	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Credit	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Research	10,050	0	0	0	0	0	0	0	0	0	0	3,217	1,860	2,794	2,180	0	0
Extension	8,311	5,638	2,673	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Education & Training	7,156	0	0	0	318	542	0	0	2,394	2,888	(13)	1,027	0	0	0	0	0
Planning & Management	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Irrigation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Marketing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Livestock	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Forestry	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Fisheries	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
RURAL DEVELOPMENT, excluding agri.	84,114	2,558	20,581	0	(20)	21,541	0	23,226	0	0	0	507	1,393	1,993	2,906	4,354	5,076
of which:																	
Infrastructure	69,128	2,016	20,163	0	31	21,541	0	23,226	0	0	0	0	0	0	0	0	2,152
Health & Population	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Education	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Water Supply	6,186	0	0	0	0	0	0	0	0	0	0	0	790	1,759	2,906	731	0
Community Development	3,312	411	327	0	0	0	0	0	0	0	0	507	603	234	0	795	435
Industry	5,489	132	91	0	(51)	0	0	0	0	0	0	0	0	0	0	2,828	2,489
ALL OTHER A.I.D.	37,101	13,623	8,067	266	387	3,050	261	90	65	117	157	124	1,693	1,395	2,734	2,725	2,347
PL 480 FOOD AID	12,168	314	285	266	2,036	675	189	693	663	781	292	257	1,242	3,000	101	200	1,174
OTHER ECONOMIC ASSISTANCE (1)	31,984	14,087	10,481	1,064	764	450	379	347	331	0	0	515	451	621	912	800	782
GRAND TOTAL	190,884	36,221	42,087	1,596	3,485	26,258	829	24,356	3,453	3,786	436	5,647	6,639	9,802	8,832	8,079	9,380

(1) not elsewhere specified

Sources: calculated from:

AID, W-253 Reports, selected years.

AID, COMB-R-0105 Reports, selected years.

\$1.48; and Cameroon: \$1.33).

Malawi has received a greater proportion of its US economic assistance as development assistance than the average African country. Just under half of total US economic assistance to Africa is obligated through AID whereas in Malawi the figure is almost 78 percent. Food aid, in contrast, has been at a relatively low level in Malawi; it accounts for only 8 percent of US economic assistance, compared with more than 30 percent for Africa as a whole. This reflects the Government of Malawi's high priority on feeding itself and on minimizing food imports.<sup>6</sup>

Historically, AID has not been one of the largest donors in Malawi, whether measured by obligations as in Table 3 or by disbursements as in Table 4.<sup>7</sup> It is unlikely, therefore, that AID assistance could have had a measurable effect on Malawi's national economic indicators, or that AID alone could have financed major development programs. For this reason, the assessment of AID assistance focuses on specific activities rather than summary statistics, and on the extent to which AID coordinated its efforts with other donors.

Although AID assistance to Malawi has been relatively small

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<sup>6</sup>The one Title I food aid agreement the Government signed with the US in 1981 was never fully utilized.

<sup>7</sup>There are discrepancies between published AID obligation and expenditure data series. The data AID publishes and that which the US provides to OECD differ for specific years and across time. Table 4 compares these two data series and shows that absolute differences between the two are significant. A comparison of the data for Malawi, Kenya, and Tanzania suggests there is no consistent pattern to the discrepancies, so it is difficult to determine which data are more accurate or what the reasons are for the differences.

TABLE 3. COMPARISON OF TOTAL U.S. AND DONOR OBLIGATIONS TO MALAWI, 1974-83.

CATEGORY	TOTALS	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	
					in US\$ 000							
Total Donor Assistance (a)	1,215,000	55,000	43,000	44,000	141,000	249,000	136,000	96,000	203,000	77,000	171,000	
US Economic Assistance, as reported by AID (b)	53,100	14,600	700	600	600	300	4,100	5,900	9,500	8,700	8,100	
percent of total donor assistance	4.4	26.5	1.6	1.4	0.4	0.1	3.0	6.1	4.7	11.3	4.7	
US Economic Assistance, as reported by ODA (a)	43,000	14,000	†	†	†	†	†	8,000	6,000	8,000	7,000	
percent of total donor assistance	3.5	25.5						8.3	3.0	10.4	4.1	
Rank, if AID was one of the largest five donors (a)		2								5		

Source: (a) DECD, ODA Data Tape.

(b) AID, U.S. Overseas Loans and Grants (CONG-R-0105), selected years.

† denotes less than US\$500,000.

Table 4. NET DISBURSEMENTS OF ODA TO MALAWI, 1970-81.  
(Millions of US Dollars)

	70	71	72	73	74	75	76	77	78	79	80	81	82	83	Total 1970-81
Australia	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0			1.1
Austria	-	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0			0.1
Belgium	0.0	-	-	0.0	0.0	0.0	-	0.1	0.0	0.0	0.0	0.0			0.1
Canada	0.1	0.4	0.4	0.9	1.8	13.3	10.4	14.8	12.7	13.3	9.0	10.0			87.1
Denmark	1.2	0.8	1.4	2.4	4.3	4.7	4.0	4.0	1.5	2.2	6.0	1.6			34.1
Finland	-	-	-	-	-	-	-	0.6	0.0	0.0	0.1	0.1			0.8
France	-	-	-	-	-	-	-	-	-	-	0.4	3.9			4.3
Fed. Rep. Germany	3.2	4.8	2.3	2.7	2.0	1.8	1.0	8.1	11.9	28.6	13.2	24.9			104.5
Italy	0.0	-	-	-	-	0.0	-	-	0.0	0.0	-	0.1			0.1
Japan	0.0	0.1	0.1	0.1	0.4	0.5	0.7	1.1	2.7	6.9	11.6	9.9			34.1
Netherlands	0.1	0.2	0.4	0.9	1.2	1.2	3.3	2.8	2.2	4.5	7.0	2.5			26.3
New Zealand	-	-	-	0.0	-	-	-	-	0.0	0.1	0.0	0.0			0.1
Norway	-	-	-	0.0	0.0	0.0	0.1	-	-	-	-	-			0.1
Sweden	-	-	-	-	0.0	-	-	-	-	0.1	-	-			0.1
Switzerland	0.0	0.0	0.0	0.0	0.0	0.0	-	0.0	0.0	0.0	0.0	-			0.0
U.K.	17.2	13.6	19.0	14.8	16.6	21.3	21.6	19.2	20.2	33.2	25.4	25.0			247.1
U.S.	4.0	3.0	3.0	0.0	4.0	4.0	5.0	4.0	5.0	3.0	3.0	4.0			42.0
<b>Total, Bilateral</b>	<b>25.9</b>	<b>23.0</b>	<b>26.7</b>	<b>21.9</b>	<b>30.4</b>	<b>46.9</b>	<b>46.2</b>	<b>54.1</b>	<b>56.4</b>	<b>92.0</b>	<b>75.6</b>	<b>82.1</b>			<b>581.2</b>
A.I.D.F.	-	-	-	-	-	-	0.3	0.5	1.5	2.0	10.9	6.3			21.5
E.E.C.	-	0.0	-	0.1	-	0.1	-	5.2	8.9	12.7	20.6	14.0			61.6
IBRD	-	-	-	-	-	-	0.1	2.3	2.5	7.4	4.2	0.6			17.1
IDA	9.6	7.3	7.8	4.7	7.5	11.4	11.9	10.8	17.9	13.9	14.3	19.9			137.0
IPAD	-	-	-	-	-	-	-	-	-	-	-	-			-
I.P.C.	-	-	-	-	-	-	-	-	-	-	-	-			-
IMF Trust Fund	-	-	-	-	-	-	-	1.9	5.8	6.0	5.0	0.1			18.8
SAAPA	-	-	-	-	-	-	-	-	-	-	-	-			-
U.N. Agencies	1.4	1.4	1.8	2.9	3.7	5.2	-	-	-	-	-	-			16.4
UNDP	-	-	-	-	-	-	1.5	1.9	2.4	3.6	4.9	8.1			22.4
UNTA	-	-	-	-	-	-	0.1	0.2	0.3	0.2	0.0	0.2			1.0
UNCEP	-	-	-	-	-	-	0.3	0.4	0.5	0.6	0.8	1.0			3.6
UNRWA	-	-	-	-	-	-	-	-	-	-	-	-			-
WFP	-	-	-	-	-	-	1.2	1.4	2.0	3.1	3.2	3.8			14.7
UNHCR	-	-	-	-	-	-	-	-	-	-	-	-			-
Other Multilateral	-	-	-	-	-	-	1.6	0.7	0.3	0.3	2.6	1.5			7.0
Arab OPEC Agencies	-	-	-	-	-	-	-	-	-	-	1.3	0.5			1.8
<b>Total, Multilateral</b>	<b>11.0</b>	<b>8.7</b>	<b>9.6</b>	<b>7.7</b>	<b>11.2</b>	<b>16.7</b>	<b>17.1</b>	<b>25.3</b>	<b>42.1</b>	<b>49.7</b>	<b>67.7</b>	<b>56.0</b>			<b>322.9</b>
<b>OPEC Countries</b>															
<b>TOTAL</b>	<b>36.9</b>	<b>31.7</b>	<b>36.3</b>	<b>29.6</b>	<b>41.6</b>	<b>63.6</b>	<b>63.3</b>	<b>79.4</b>	<b>98.5</b>	<b>141.8</b>	<b>143.4</b>	<b>138.1</b>			<b>903.8</b>

Source: OECD file tape.

compared with that of some other donors, it has been significant given the small size of Malawi's economy. This reflects the overall importance of donor assistance to Malawi. Table 5 provides several common indicators with which assistance is usually compared. Measured in this way, AID assistance to Malawi is on the same order of magnitude as AID assistance to Kenya (Dijkerman, 1986a).

#### Sectoral Distribution of Assistance

Most of AID's assistance to Malawi has been directed to the rural rather than nonrural economy as Table 6 records (also see Annex A, Tables A-1 and A-2). About three-fourths of the funds between 1963 and 1984 went for activities in the rural development and agricultural sectors, with much more to rural development than to agricultural activities (57 percent versus 17 percent).<sup>8</sup> The subsector receiving the largest share was infrastructure, with 47 percent of the total. Trunk road construction accounted for virtually all of this money; the bulk financed three major roads. The next largest subsector was agricultural education with 11 percent. These funds went to help establish an agricultural college. The agricultural research subsector received the third largest share, 7 percent. AID assistance in this area started only in the late 1970s. In addition to these three subsectors, AID financed smaller projects in rural water, community development, and rural private enterprise development.

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<sup>8</sup>To obtain this breakdown, projects were separated into subsectors on the basis of their major purpose. The subsectors were selected for comparability with parallel MADIA studies of other donors.

TABLE 5. IMPORTANCE OF A.I.D. ASSISTANCE TO MALAWI, 1963-84,  
OBLIGATIONS IN CURRENT DOLLARS.

AID Assistance as Percentage of Malawi's	Overall Average	1962-68	1969-79	1980-84
=====				
----- in percent -----				
Using AID's Official Data:				
Gross Domestic Product	0.6	1.0	0.5	0.6
Gross Fixed Capital Formation	3.0	8.3	2.0	3.4
Government Expenditure (a)	1.4		1.7	1.8
Exports (b)	2.4	4.9	2.2	2.5
Using AID Study's Data:				
Gross Domestic Product	0.6	0.6	0.6	0.6
Gross Fixed Capital Formation	3.1	4.8	2.7	3.4
Government Expenditure (a)	1.5		2.2	1.8
Exports (b)	2.5	2.8	2.9	2.5

Note: (a) 1973-84.  
(b) 1965-84.

Source: AID, Report CDNG-R-0105, selected years.  
IMF, International Financial Statistics, 1985.  
AID, Report W-253, selected years,  
and AID project files.

TABLE 6. BREAKDOWN OF A.I.D. ASSISTANCE TO MALAWI, 1963-84,  
IN CONSTANT DOLLARS.

SECTOR/Sub-Sector	1963-84	1963-68	1969-79	1980-84
	Average	Average	Average	Average
	----- in percent -----			
A.I.D. PROJECT & PROGRAM ASSISTANCE	75	59	85	78
AGRICULTURE	14	14	12	16
of which:				
Crop Production	0	0	0	0
Storage & Processing	0	0	0	0
Input Supply	0	0	0	0
Credit	0	0	0	0
Research	6	0	3	16
Extension	5	14	1	0
Education & Training	3	0	7	0
Planning & Management	0	0	0	0
Irrigation	0	0	0	0
Marketing	0	0	0	0
Livestock	0	0	0	0
Forestry	0	0	0	0
Fisheries	0	0	0	0
RURAL DEVELOPMENT, excluding agri.	37	7	66	37
of which:				
Infrastructure	26	5	66	5
Health & Population	0	0	0	0
Education	0	0	0	0
Water Supply	5	0	0	14
Community Development	2	1	1	5
Industry	4	0	(0)	12
ALL OTHER A.I.D.	23	38	7	25
PL 480 FOOD AID	7	1	6	13
OTHER ECONOMIC ASSISTANCE (1)	19	40	8	8
GRAND TOTAL	100	100	100	100

(1) not elsewhere specified

Sources: calculated from:

AID, W-253 Reports, selected years.

AID, CONG-R-0105 Reports, selected years.

Outside of the agricultural and rural development sectors, AID financed a variety of activities including a radio station, a statistics unit, programs to train government staff, teacher education programs, and an artisan training college.

Table 7 shows that in absolute and relative terms the AID program in Malawi has obligated less money for agricultural activities than the average AID program in Africa.<sup>9</sup> Thus, the AID program in Malawi has been somewhat different than most other programs in Africa. This suggests caution in interpreting the composition of the Malawi program as being representative of AID in Africa.

Table 8 compares how the AID program and how the Government of Malawi have distributed their investment funds by sector, and reveals that AID assistance becomes more important when examined on a sectoral level. AID has spent a larger share on social services (education) and infrastructure than the Government has. AID obligations have constituted a greater proportion of the Government's education expenditures (8.2 percent) than of its infrastructure expenditures (5.5 percent). AID's activities in these two areas are examined in Chapter IV. A comparison between AID and Government investments in "industry" is misleading because a considerable proportion of Government investment in industry passed not through its budget, but

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<sup>9</sup>This is revealed by an analysis of the types of AID monies used to fund activities. In 1974 Congress adopted a system of "functional accounts," which specifies the amount of money AID is to spend on certain types of activities. Congress uses this mechanism to direct AID investment decisions. The most important funding sources for agriculture have been the Agricultural, Rural Development and Nutrition account in the Development Assistance fund and the Economic Support fund (AID, 1985a). Table 7 shows Malawi has received less of both types of funds than the average African country.

TABLE 7. COMPARISON OF A.I.D. OBLIGATIONS TO MALAWI WITH TOTAL A.I.D. OBLIGATIONS TO AFRICA, BY FUNCTIONAL ACCOUNT, 1974-85 (a).

REGION/FUNCTIONAL ACCOUNT	1974-85 Average	1974-79 Average	1980-85 Average
----- in current US\$ 000 -----			
Africa Bureau			
Ag. Rural Dev. & Nut.	101,758	77,795	125,720
Ed. & Human Resources	25,518	19,049	31,987
Selected Dev. Activities	19,753	20,373	18,334
Economic Support Fund	154,770	38,279	271,261
Malawi:			
Ag. Rural Dev. & Nut.	1,782	551	3,014
Ed. & Human Resources	693	0	1,386
Selected Dev. Activities	392	0	783
Economic Support Fund	1,250	0	2,500
Average Number			
of AID Programs (b)	30	25	36
Simple Average (Bureau Total/Country Programs)			
Ag. Rural Dev. & Nut.	3,392	3,112	3,492
Ed. & Human Resources	851	762	889
Selected Dev. Activities	645	815	509
Economic Support Fund	5,159	1,531	7,535

AID Assistance to Malawi as a percentage of:

	----- in percent -----		
Africa Bureau			
Ag. Rural Dev. & Nut.	1.8	0.7	2.4
Ed. & Human Resources	2.7	0.0	4.3
Selected Dev. Activities	2.0	0.0	4.3
Economic Support Fund	0.8	0.0	0.9
Simple Average			
Ag. Rural Dev. & Nut.	52.5	17.7	86.3
Ed. & Human Resources	81.5	0.0	156.0
Selected Dev. Activities	60.7	0.0	153.8
Economic Support Fund	24.2	0.0	33.2

Notes: All years are US Fiscal Years. The transitional quarter is included with 1976.

(a) Other Functional Accounts include Population Planning, Health, Child Survival.

(b) As reported in AID, Overseas Loans and Grants (CONG-R-0105), selected years.

Sources:

data prior to 1979, AID, Flash Report (W-208), year end reports. 1979 onwards, AID, Program Trends Based on FY1986 Congressional Presentation, 1985.

AID, Overseas Loans and Grants (CONG-R-0105), selected years.

TABLE 9. COMPARISON OF A.I.D. OBLIGATIONS AND GOVERNMENT OF MALAWI EXPENDITURES BY SECTOR.

SECTOR	Government of Malawi Expenditures 1973-82(a)	AID Obligations 1963-84(b)
	----- in percent -----	
AGRICULTURE	14.1	14.1
INDUSTRY	1.5	6.5 (c)
INFRASTRUCTURE	20.5	47.0
SOCIAL SERVICE/HUMAN RESOURCES(d) (of which: EDUCATION)	23.0 (6.6)	30.3 (22.6)
OTHER(e)	40.9	2.1
TOTAL	100.0	100.0

Notes: (a) Source: IMF, Government Finance Statistics, Vol. VIII, 1984.

(b) Source: AID, W-253 Reports, selected years.

(c) includes rural enterprise activities.

(d) includes agricultural and non-agricultural education.

(e) includes general public service, defense, general administrative, and other economic services, and other

through enterprises it controlled.<sup>10</sup>

### Terms of Assistance

About 72 percent of AID assistance to Malawi was in the form of grants; the rest was soft loans (AID, 1985c:27). This is comparable to the split for Africa in general. These figures do not include all the centrally or regionally funded monies, which are generally grants. Therefore, the figure understates the grant element of AID assistance. Virtually all (96 percent) of the loans to Malawi financed road construction projects. This is not so for the whole of Africa, where most loans have been concentrated in agriculture (AID, 1985a:v). This is one more indication of the difference between the program in Malawi and those elsewhere on the continent.

AID loans are concessional. Interest rates range from 1 to 2 percent during a grace period of ten years and then increase to 2.5 to 3 percent for the remaining thirty years.<sup>11</sup> Nevertheless, the loans do have to be repaid in foreign exchange -- a scarce commodity in most African countries. The inability to repay loans can result in the termination of an AID program, as is currently the case in Tanzania (Dijkerman, 1986b).

Malawi has benefited from two debt reschedulings of AID loans.

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<sup>10</sup>AID investments in industry were not in heavy industry, but in activities to promote small off-farm rural enterprises.

<sup>11</sup>For comparative purposes, World Bank IDA credits have a fifty-year final maturity which includes a ten-year grace period. The credits carry no interest rate but instead a small service charge of 0.75 percent on the disbursed balance and 0.5 percent on the undisbursed balance (World Bank, 1982a:27).

The first in 1982 rescheduled about \$500,000 while the second in 1984 rescheduled an additional \$1 million. These were part of multidonor negotiations aimed at helping Malawi recover from its economic difficulties.

AID plans to cease signing any loans for development assistance in Africa by 1987. This is a positive move. Previously, loans were a set proportion of the AID budget for Africa. That situation caused economically poor countries like Malawi (and Tanzania) to accept loans rather than to pass up assistance, even though their ability to repay was in doubt.

### CHAPTER III. STRATEGY FOR AGRICULTURAL DEVELOPMENT

This chapter analyzes the factors influencing the content of AID agricultural development activities in Malawi. As in all other countries where AID has been active, so in Malawi strategy was influenced by the interests of the United States as well as by the economic and political concerns of the recipient. "US concerns" include political, strategic, fiscal, and development interests. They constitute AID's institutional environment and determine the bounds within which the mission strategy must fit. "Local concerns" include economic and political factors in Malawi. While local concerns are woven into the mission strategy, they are external to AID's own institutional environment.

Important findings of this chapter include the number of different US concerns and objectives that have shaped the AID program in Malawi since the 1960s, and the influence of the Government of Malawi on the selection of AID projects.

AID assistance to Malawi can be divided into three main periods: from the early 1960s to 1968, from 1969 through 1979, and from 1980 onward. Differences among the periods include changes in the number,

size, and type of projects and in the dominant US concern vis a vis Malawi. The characteristics of each are outlined in Table 9.

Malawi, formerly Nyasaland, received very little assistance in the late 1950s, when it was part of the Federation of Rhodesia and Nyasaland. The US interest in the Federation lay in its "important quantities of strategic minerals" (ICA, 1957:195); thus Zambia (formerly Northern Rhodesia) with its copper and Zimbabwe (formerly Southern Rhodesia) with its asbestos, chrome and beryl were of concern, but mineral-poor Malawi was not. The US had no development strategy for Malawi. An early document notes, "US activities... are directed to supplementing development programs of the United Kingdom" (ICA, 1960a:85).

#### The Early 1960s through 1968

Throughout this period the US showed little direct political or development interest in Malawi. The general AID-wide strategy for economic development was geared toward those countries of political importance to the US and those with good prospects for development. Malawi was judged by AID to have neither. These factors helped to keep the program in Malawi small and prompted the decision in 1968 to close the mission. Projects were initiated on their own merits and not as components of an overall mission strategy for Malawi. Most of the projects selected addressed the immediate needs of the country for more skilled manpower and the preferences of the country's leader, Hastings Banda.

TABLE 9. CHARACTERISTICS OF A.I.D. ASSISTANCE BY PERIODS, 1963-1984.

Period	Average Number of New Projects per year	Average Size of New Project	Average Annual Obligations	Average Number of AID Direct- Hire Staff in Malawi	Average Number of Regional AID Direct- Hire Staff
----- in US\$ 000 -----					
In Current Dollars:					
1963-1968	2.7	993	1,608	18.4	7.4
1969-1979	0.9	2,875	3,719	0.1	30.4
1980-1984	1.6	3,285	6,549	2.8	28.8
In Constant 1983 Dollars:					
1963-1968		2,874	4,951		
1969-1979		6,547	7,598		
1980-1984		3,332	6,690		

Source: AID, Project Assistance and Activities (M-253), selected years.  
IMF, International Financial Statistics 1984 Yearbook, 1985.

## Major Influences on Strategy

US Concerns. The American thrust into Africa in the 1960s was conditioned by the Cold War ideology (Jackson, 1982:22). During the Kennedy years, the US hoped to stem the spread of Communism by helping countries to develop (AID, 1962:145; 1964:45; 1965b: 180, 183, 191; 1966:184; and 1967a:265). Malawi benefited from this general expansion of development assistance to Africa. The AID program in Malawi was one of the thirty-plus programs established as the US interest in Africa grew.

The general development strategy pursued by AID during the Kennedy years was much influenced by W. W. Rostow, who was working in the Department of State.<sup>1</sup> His view was that there were various stages through which a developing country must go before it could achieve self-sustained growth.<sup>2</sup> To reach the point of "self-sustained take-off," developing countries needed additional resources from developed countries. Without external assistance, economic development was considered only a slim possibility.

The level of resources AID directed to a particular country depended on its development potential and its strategic importance to the US (AID, 1965c:14). The world was divided into three groups (AID, 1962:146). The first category included nations that were politically important or that had most of the "prerequisites for development other

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<sup>1</sup>At that time AID was a part of the State Department.

<sup>2</sup>Rostow's "stages" of economic development are well-known. A brief discussion with references is contained in Hayami and Ruttan (1985:19-21).

than adequate external assistance" (AID, 1962:146). These "prerequisites" were a public administration which was relatively advanced, or at least the strong nucleus of one, and the prospect of long-term political stability. In the second category were countries that lacked some of the prerequisites for development; for them, "assurances of financial assistance over an extended period of time would be considered premature" (AID, 1962:146). The third category consisted of "newly independent countries and dependent territories which are not likely to reach a point of becoming self-sustaining for some time to come" (AID, 1962:147). Aid to them would have to be flexible, experimental in nature, and not of a kind that would create an obligation for the US or other aid donors to increase support. Malawi was in this category, and so it was largely ignored by AID/W. This translated into greater flexibility for the mission in developing a program.

In the mid-1960s, the Johnson administration sought to increase AID's effectiveness by sharpening the agency's general development strategy. AID was directed to focus on four areas: policy, the private sector, institution building, and technology transfer (AID, 1962:14-15). This refinement of the agency's general strategy had no affect, however, on the program in Malawi.

Another aspect of Johnson's foreign aid program did affect operations in Malawi. AID in Africa was reorganized to promote a more effective use of development resources (AID, 1968:F-15). The Korry Report provided the justification for the reorganization (AID,

1967a:2-3).<sup>3</sup> Commissioned by President Johnson, the report by Ambassador Edward Korry reviewed the AID experience in Africa and recommended a shift to a multilateral and regional assistance program, and a change in AID's organizational structure to reduce the number of country missions from thirty-three to ten. AID programs in twenty-three countries were to be phased out as projects were completed. AID would "make no new bilateral development loan or technical cooperation starts ["new projects"] in these countries" (AID, 1967b:261).

The AID program in Malawi was one of those to be ended. USAID/M direct-hire staff, which had peaked at thirty-three people in 1964, dropped off rapidly and the mission was closed by 1970.<sup>4</sup> The long phase-out of USAID/M was due to the number of projects already underway when the recommendations of the Korry Report were adopted.

Exceptions to the rule of no new projects were sometimes made if project negotiations between the US and the recipient country had reached an advanced stage. This was the case for four projects in Malawi (AID, 1967b:243). The granting of these exceptions was undoubtedly helped by the fact that Malawi was viewed as "part of the moderate bloc in the Organization of African Unity" (AID, 1967b:260).

**Local Concerns.** By the beginning of the 1960s it had become clear to USAID/M that Malawi was economically the least developed country in the Federation (AID, 1962:199). It was described as

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<sup>3</sup>Johnson's concern with improving the cost effectiveness of AID may have been associated with the rapidly growing fiscal demands of Southeast Asia. Annex B contains further details on the Korry Report.

<sup>4</sup>At that time, many of the direct-hire staff worked on projects as technicians.

"relatively the poorest of the Federation members... [lacking] any significant industry and [relying] upon a low level of agriculture for its income" (ICA, 1960:84).<sup>5</sup>

An inadequate human resource base and a lack of a transportation infrastructure were the key constraints to Malawi's development identified by the mission. Following independence, there was a continuing exodus of expatriates and an absence of trained Malawians to replace them. Travel in the country, particularly during the rainy season, was difficult. Moreover, compared with the other countries in the Federation, Malawi lacked basic information about its economy and population.

The Government of Malawi, primarily President Banda, set specific development objectives. Some of these were expressed in his famous statement, "Four Dreams for Malawi," prepared while he was imprisoned by the British in 1959. In it, he spoke of creating a national university and a lakeshore road (American Univeristy, 1977). In addition, he focused on agriculture, since that constituted the country's most significant resource.<sup>6</sup>

Another factor which was to play a role in Malawi's development was the country's financial dependence on the UK. For the first two years of independence, the UK accounted for more than 98 percent of Malawi's gross aid receipts (Kydd, 1984:18). Britain's share remained substantial throughout the 1960s and did not drop below 50 percent

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<sup>5</sup>The Federation actually began splitting in the early 1960s; it finally broke apart in 1963.

<sup>6</sup>To this day President Banda still maintains the position of Minister of Agriculture, which he assumed before independence.

until 1970. The British influence extended to the Government's operations. Observers argue that this had a profound effect on the president. Malawi's long-term effort to increase Government revenue and control expenditures is attributed to Banda's desire to achieve true independence.

### Strategy

Education to meet the immediate need of replacing expatriates at all levels and in all sectors was the unifying theme of the AID program in Malawi during the first period. The program also included a component to gather information to improve the knowledge base on Malawi. The mission did not emphasize agriculture, either in education or in information-gathering efforts.

### Projects and Programs

An average of nearly three new projects were started each year during this first period (Table 9). Most of the projects were related in some way to education and training (see Annex A, Table A-3 for a list of projects). While the majority of them cost little money, two larger projects were initiated. One supported the development of a polytechnic training college for artisans and other skilled laborers by building a facility and providing technical assistance. The other project was a collage of small activities; the prominent component was to help improve the quality of the extension service by helping to create a new agricultural school (University of Malawi, 1985:1). Both the polytechnic and the agricultural schools were incorporated into

Malawi's newly created University of Malawi, the national university.

Information and data-gathering projects constituted the largest group of projects. Several surveyed educational needs (612-157, 612-138).<sup>7</sup> Others included a study of rural industries (612-140), a project to help develop Malawi's national statistical data base (612-139), and a feasibility study of a lakeshore road. After the AID decision to close the mission was taken, two of the surveys, a small manpower project, and the lakeshore road project were signed.

During this period, USAID/M financed several parts of President Banda's dreams for Malawi: two schools which became part of the national university and portions of the lakeshore road.

#### From 1973 through 1979

The anticipated reduction in the amount of US resources allocated to Malawi as a result of closing the bilateral mission did not occur. In fact, in real terms, annual assistance to Malawi was more than 50 percent higher in this second period than in the first (Table 9). The reason was Malawi's heightened political importance to the US. Malawi was one of the few countries in the region whose political views on the conflicts in Southern Africa closely paralleled those of the US.

Other US concerns were overshadowed by the political one. The AID-wide New Directions development strategy introduced in the early 1970s passed Malawi by --- a result not only of the political justification for a program in Malawi, but also of the Malawian Government's reluctance to start large basic-needs projects because of

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<sup>7</sup>The number refers to the AID project number.

the recurrent cost implications. An increase in spending with no corresponding gain in revenue would have increased, not decreased, Malawi's financial dependence on donor assistance.

### Major Influences on Strategy

US Concerns. Two US concerns were prominent throughout the 1970s. The first was uneasiness over the growing increased political turmoil and anti-Western stance by a number of East and Southern Africa countries. The second was Congressional skepticism regarding the effectiveness of both foreign aid in general and AID in particular.

By itself Malawi mattered little to the US, but as part of Southern Africa it took on greater significance. Of the nations struggling against Rhodesia and Mozambique, Malawi was seen by the US as having a moderate approach that supported US efforts for change (AID, 1974a). Mozambique's becoming an independent country with a Marxist regime in 1975 and Tanzania's taking an increasingly socialist stance probably reinforced the positive political attitude toward Malawi. Furthermore, the situation in Rhodesia continued to demand US attention, so a US presence in Malawi was useful. Building regional roads fit well with US political concerns. It would show US commitment to resolving the Rhodesian problem and it would show support for Malawi, whose moderate stance contrasted with the avowed Marxism in Mozambique and the growing radicalism in Tanzania.

Congressional skepticism about foreign aid came to a head in 1972. A growing body of studies indicated that development efforts of

the late 1950s and 1960s tended to result in growth with inequality. Moreover, AID's role in Vietnam appeared to many members of Congress to justify the skepticism they felt toward AID. Assisted by staff in AID's Asia Bureau and the Overseas Development Council, Congress wrote and passed the New Directions legislation (Owens and Shaw, 1972; Berg, 1976). This legislation directed AID to pursue growth with equity by focusing on the poor.

In the case of Malawi, US political concerns overshadowed US development concerns as reflected in the New Directions approach. That fact there was no mission in Malawi to develop and manage the projects also contributed to the absence of New Directions-type projects. But, by the late 1970s President Carter's plans for expanding AID programs worldwide, together with the resolution of the Rhodesian conflict, led AID's regional offices to propose launching new bilateral projects in Malawi and reestablishing the bilateral mission.

**Local Concerns.** With no mission in Malawi, AID did not follow developments in Malawi closely. Responsibility for Malawi rested with AID's regional office in Swaziland, OSARAC. In 1973 OSARAC and another AID regional office, REDSO/ESA in Kenya, undertook an assessment of the situation in Malawi.

The assessment team concluded that "manpower, input supply and soil erosion may be the three most currently binding constraints to more rapid agricultural development" (AID, 1974a:32). Expanding the transportation network was also considered important since it would help agricultural marketing. With more trained manpower, primarily in

the extension service --so it was argued -- the technologies presumed to exist could be more effectively disseminated. Agricultural research was not identified as an important constraint by AID.

The next series of analyses by AID, undertaken in the second half of the 1970s, upheld the earlier conclusions about where the constraints lay. The lack of agricultural research on food crops and the unavailability of appropriate technologies for smallholders were not identified as problems. One report noted that "government research and extension programs are bringing wider use of fertilizer and insecticide, improved seed, and better cultivation practices such as early planting and proper weeding" (Moeller, 1977:IV-16). By the time the final analysis was completed in March 1979, the proposed solutions included the need for improved production packages (AID, 1979c:27-28). The recognition of the need for agricultural research in Malawi appears to have been triggered by the general recognition of the need for agricultural research on food crops in Africa at the national level in the late 1970s.<sup>8</sup>

During this second period, Malawi's development policies were not popular among donors. Government priorities were at variance with the donor community's emphasis on equity and basic human needs. For example, the Government's recurrent and investment expenditures on primary education and health remained low (Kydd, 1984). Malawi's growing population pressures were not addressed; indeed, the topic remained an anathema to Malawian officials. Policies were adopted

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<sup>8</sup>By the start of the 1980s, AID had started over fourteen new agricultural research projects in East and Southern Africa (AID, 1982b).

requiring Indians in business in Malawi to sell their rural operations and restrict themselves to the two main cities. Finally, the Government rapidly expanded plantation (or estate) agriculture during the 1970s, and it used the revenue generated to finance projects which many donors felt were ill-advised. For example, only South Africa provided assistance for constructing the new capital at Lilongwe. Other projects that the traditional donor community refused to finance included the construction of a new international airport in Lilongwe and of Kamuzu Academy, patterned after a British public school.<sup>9</sup>

These kinds of decisions affirmed the view that decisionmaking in Malawi, while effective, was autocratic and not very sensitive to the poor majority. Such conduct was at variance with the principles embodied in the New Directions legislation.

The Government of Malawi was interested in getting US assistance, particularly to support agricultural education at Bunda College (AID, 1976:2). Given that AID had not intended to have much of a program in Malawi and had no presence in Malawi, the Government's preferences weighed heavily in AID's selection of potential projects.

### Strategy

As in the first period, so in the second one, AID had no formal development or agricultural development strategy for Malawi; its strategy was not to have much of a program in Malawi. No mission existed and all activities in Malawi were regional in nature. The

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<sup>9</sup>Such public schools are the equivalent of private schools in the US.

basic rationale for AID assistance became the US desire to demonstrate support for Malawi's moderate policies concerning change in Southern Africa (AID, 1974a:16).

Potential projects identified by AID for funding were judged on their own merits and were not part of a larger AID development plan for Malawi. For example, AID's regional offices recommended education as the sector to support, and identified Bunda Agricultural College -- which AID had helped build in the early 1960s -- as the most appropriate recipient. Expanding Bunda would help to ease Malawi's shortage of trained agricultural manpower; moreover, it was what the Malawians wanted AID to do.

#### Projects and Programs

The major projects undertaken during this period were justified on regional grounds. Over three-quarters of the assistance financed the upgrading of two roads which formed a link from the Zambian border through Malawi and Mozambique to the sea. Two large projects to finance road upgrading were signed; the roads were intended to ease the difficulties faced by Zambia because of the conflict in Rhodesia, and also to support Malawi.

AID also funded a regional education testing and training center for Botswana, Lesotho, and Swaziland, to be headquartered in Malawi. This project financed two technical assistance people to develop standardized tests for the region. Finally, as an interim response to the Malawian request for AID assistance for Bunda College, a \$300,000 grant was signed to supply two technical assistance people and some

money for training.

By the end of the 1970s, with the political turmoil subsiding, AID relied less on regional justifications for its projects. Bunda College was assisted again in 1976, this time with a \$5.7 million project. The Malawian Government influenced this project strongly, since AID's bias at the time was against postsecondary education and in favor of projects targeted directly at the poor.

The growing recognition within the development community of the need to develop national agricultural research systems contributed to an offer by AID's regional office to fund an agricultural research project. Signed in 1979, the \$9 million project was intended to develop new technological packages for Malawi's smallholders.

Also developed by the close of the 1970s was an \$8.3 million project to finance an expansion of the University of Malawi Polytechnic to train more skilled artisans. Like the Bunda College project, the Polytechnic project provided major support to an institution that AID had helped to establish in the early 1960s.

The agricultural research project as well as the Bunda and Polytechnic projects signified the end of AID's regional approach to Malawi. By late 1979, AID had reopened its mission in the country.

#### From 1980 on

This period is marked by three trends, the net effect of which has already produced an AID program in Malawi substantially different

from those in the two previous periods.<sup>10</sup> First, the Agency-wide general development strategy underwent another change. Second, US interest in Malawi's development increased significantly, and this has contributed to increased assistance levels and a mission strategy that closely parallels the AID-wide general development strategy. Third, Malawi's economy began to falter in 1979/80 and was then rocked by external transport problems.

The mission has pursued an aggressive strategy in Malawi since the early 1980s. AID's emphasis on major policy reforms is a more politically sensitive approach than the earlier one, which was more passive and relied heavily on the Government's funding preferences. Although the relative influence of the Government on the composition of the AID program has declined, the Government has remained actively involved with AID.

#### Major Influences on Strategy

US Concerns. In the early 1980s President Reagan initiated a series of changes to increase the effectiveness of foreign aid. It was part of his response to the US Government's fiscal problems. The main change was to direct AID's general development strategy away from the New Directions approach toward an emphasis on market forces, policy dialogue, institution building, and technology transfer -- also

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<sup>10</sup>The information contained in this section covers developments to the end of 1985. Nevertheless, the major factors influencing the program have not changed, and the mission is still pursuing the general strategy outlined. Hence it is accurate to categorize this period from 1980 on.

known as "the Four Pillars" (AID, 1983b).<sup>11</sup> AID suffered personnel cutbacks, and the Economic Support Fund (ESF) account became relatively and absolutely more important than the Development Assistance account (AID, 1985a). Unlike the Development Assistance account, which traditionally finances projects and which requires a large staff to administer, the ESF account is fast-disbursing and oriented to programs rather than projects. Greater reliance on ESF also makes foreign assistance more responsive to US political and development concerns, since these programs are developed and approved annually.

This shift from "project" to "program" aid coincided with the growing recognition by the donor community that the absorptive capacity of many African countries, as well as their ability to finance recurrent costs, were seriously limited, and that their macroeconomic policies contributed to their economic problems. Use of the fast-disbursing ESF was seen as a way to address the short-term fiscal needs of the recipient, show US support, and maintain aid levels with fewer personnel.<sup>12</sup> US management, fiscal, political and development interests all converged in such an approach. As a result, the push for a significant change gathered broad support. This is in contrast to what happened earlier with the New Directions legislation.

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<sup>11</sup>These changes are remarkably similar to features of the program introduced by President Johnson in response to an earlier fiscal crisis.

<sup>12</sup>Kenya is an example of a country where fast-disbursing aid increased rapidly for reasons that had to do with US political and strategic objectives and the country's shortage of foreign exchange. Direct-hire staff in the Kenya mission dropped by almost 40 percent between 1980 and 1983 while annual assistance more than doubled, most of it through ESF.

when people inside AID disagreed about what kind of projects were most appropriate to address basic human needs.<sup>13</sup>

This trend was occurring as the donor community was becoming increasingly frustrated with the poor economic performance of Sub-Saharan Africa. Studies pointed to the shortcomings of the basic human needs approach as implemented by development agencies and recipient governments (World Bank, 1981; 1984). A market-oriented approach with governments creating a conducive policy environment for growth was the prescribed remedy. It fit well with the domestic and development emphases of the Reagan Administration.

In this review, Malawi emerged in a positive light. The US and other donors who support this approach to development are eager that Malawi continue its good macroeconomic management. Should it falter like Tanzania, Ghana, and other countries that pursued a socialist model, the credibility of the new market-oriented approach would suffer.

**Local Concerns.** In the early 1980s, Malawi's international reputation as a successfully managed economy grew rapidly. It was held up as a rare example of what could be achieved if economic -- and especially price -- distortions were kept to a minimum (World Bank, 1981; Acharya, 1981a, 1981b).

Yet in fact, the Malawian economy had begun to encounter difficulties in late 1979. Economic growth halted in 1979 and

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<sup>13</sup>One disagreement within AID was whether or not rural roads and postsecondary education were appropriate New Directions activities. See the author's other country studies for examples of how missions disagreed with AID/W's interpretation of the New Directions legislation (Dijkerman, 1986a, 1986b).

declined over the next two years (USAID/M, 1985b). The Government made several changes,<sup>14</sup> but it still needed additional resources. Several major lending programs were signed with the IMF and World Bank. Malawi's willingness to negotiate these programs was in marked contrast to the general antagonism throughout Africa toward these multilateral institutions. President Reagan sent a letter of congratulation to President Banda in May of 1982 citing him for the excellent job he was doing to cope with the country's problems (USAID/M, 1982a:19).

In addition, Malawi experienced serious external transport problems. Rebel activity and railway maintenance problems in Mozambique resulted in the closing of the routes through Mozambique to the coast. Transport costs rose sharply, by the equivalent of 20 percent of export earnings.

Later, as the Agency-wide emphasis on the private sector gained momentum, USAID/M concluded that the lack of an indigenous private sector was a weakness in the Malawian economy. The void created when Asians who owned small businesses were forced out of the rural areas had not been filled by other private entrepreneurs. Instead, Government statutory (parastatal) bodies moved in (AID, 1983c).

What the Government of Malawi wanted from AID in the 1980s was quite different from what AID thought the Malawian economy needed. At the start of the 1980s, the Government was implementing the National Rural Development Plan (NRDP), which had divided the country into eight areas. The hope was that each area could be allocated to a

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<sup>14</sup>One change was the elimination of the gasoline subsidy.

donor for intensive support.<sup>15</sup> When the bilateral mission reopened, therefore, AID was invited to fund one of the areas.

### Strategy

The new mission inherited a program that had no real focus or development strategy. Yet it chose not to accede to the Government's request that it fund rural development in one area because of the potentially large resource requirements to do the job effectively and because of the potential for competition among donors. Instead, USAID/M chose to pursue activities that it deemed could have a wider impact.

The mission's strategy evolved into one which closely parallels the AID-wide general development strategy. At the outset of this period, the program was essentially a continuation of projects started earlier. By 1982 the mission strategy had begun to focus. One emphasis was on developing Malawi's private sector, the goals being to double the number of small and medium-sized entrepreneurs and to build up Malawi's private domestic transport fleet (USAID/M, 1983a; 1983b:2). This would help limit the role of the Government in the economy and would reduce the country's dependence on foreign trucking companies. Another emphasis of USAID/M's strategy, through its policy dialogue, is encouraging the Government to divest itself of those enterprises that are losing money and to eliminate fertilizer subsidies.

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<sup>15</sup>For example, the World Bank had assumed responsibility for the Lilongwe area and the West Germans were working in the Salima area.

USAID/M's current agriculture and rural development objectives are to increase the capacity of Malawians to generate agricultural technologies for smallholders by supporting agricultural research, to generate off-farm employment by supporting the rural private sector, and to improve both agricultural policy and the fiscal environment.

The emphasis on the private sector and on policy dialogue, combined with the agricultural research program, which involves technology transfer and institution building, means that USAID/M's strategy closely reflects all four AID-wide development priorities. This is in contrast to the earlier periods, when the Agency-wide development strategy was not reflected in the Malawi program because other US concerns dominated or because AID did not consider it a priority to have a coherent development program in Malawi.

#### Projects and Programs

Of those projects undertaken by USAID/M in support of its strategy, some were follow-ons to earlier projects in agriculture and education. These are listed in Table 10.

Table 10. New USAID/M Projects Continuing Earlier Emphases in Agriculture and Education.

<u>Number</u>	<u>Title</u>	<u>Obligations ( in 000)</u>
612-215	Agricultural Research and Extension*	\$ 14,000
Aid-261	Bean/Cowpea Collaborative Research Program	500
612-201	Polytechnic Expansion	8,314
698-433	African Manpower Development	1,000
Afr-1292	African Graduate Degree (AFGRAD)	1,000
	<u>Total</u>	<u>\$ 24,814</u>

\*This project, signed in late 1985, is not included in the tables presented earlier.

New projects supporting the private sector and the policy dialogue have become a major part of the program, as shown in Table

Table 11. New USAID/M Projects in the Private Sector  
and Policy Dialogue Emphasis.

Number	Title	Obligations ( in 000)
612-205	Malawi Union of Savings	\$ 534
612-214	Rural Enterprise Agribusiness Development	5,100
612-218	Commercial Transport	5,000
612-219	Management Assistance to Rural Traders	2,828
612-225	Economic Policy Reform Program: Fertilizer Subsidy Removal*	15,000
698-414	Energy Initiative for Africa: Energy for Small and Medium Enterprises*	150
940-002	Agricultural Diversification	2,000
	Total	\$ 30,612

\*These projects, signed in 1985, are not included in the tables presented earlier.

The agricultural diversification project is a loan made to a parastatal to finance the restructuring and divestiture of some agricultural estates. It is expected to result in partial divestiture to private owners. In the area of policy dialogue, USAID/M signed an Economic Policy Reform Program (EPRP) agreement to remove the fertilizer subsidy. The EPRP is a new AID instrument designed to assist countries undertaking needed reforms.

This chapter has examined the major influences on the composition of the AID program in Malawi. An important observation at this juncture is that a number of different US concerns have influenced the AID strategy for Malawi. The concern for development was only one, and it did not dominate over the political or fiscal ("cost-effectiveness") concerns. Whether this multiplicity has generally hampered the effectiveness of AID projects, and to what extent it has been ameliorated by the influence of the Malawian Government and other factors, are issues examined in the following chapter in the context

of specific projects.

## CHAPTER IV. CASE STUDIES OF PROJECT AND PROGRAM PERFORMANCE

The previous chapter focused on the programming and budgeting process within AID, and has shown how the selection of USAID/M's strategy and projects was influenced by concerns in both the United States and Malawi. This chapter extends that line of inquiry by identifying the major factors that affected the design and implementation of specific AID projects.

To keep the analysis manageable, this discussion concentrates on four programs that are indicative of certain types of AID activities, that raise important questions, and that appear relevant to USAID/M's future work. They are agricultural research and extension, agriculture-related education, transportation infrastructure, and economic policy reform. Together they account for about 75 percent of AID assistance to Malawi from 1960 to 1985.

### Agricultural Research and Extension

Agricultural research is an area in which the US generally assumes it has a comparative advantage over other donors. USAID/M's experience supporting agricultural research in Malawi reveals many of the same problems found in AID agricultural research projects in other countries, but it also reveals several positive features.

This case study focuses on two projects: Agricultural Research

Project (612-202) which began in 1979 and ended recently, and its follow-on, Malawi Agricultural Research and Extension Project (612-215), which was signed with the Government in 1985. Two small projects implemented along with the first project are also discussed.

The first research project had a number of flaws. As is discussed below, its design was weak, and so were several of the assumptions on which it was based. Implementation problems included the uneven quality of technical assistance and the lack of continuity of both contractors and AID staff. The poor performance of this project contrasted with the encouraging performance of the two small projects undertaken about the same time. This experience led the Malawian Government to reassess the entire research system, with support from the World Bank and AID. The result was a revised national agricultural research program, which is currently being funded by the Government, the follow-on USAID/M project, and two World Bank projects -- all of which were coordinated to capitalize on the donors' respective comparative advantages. Although it is too early to tell whether the second AID project will perform as expected, it has incorporated many of the lessons learned from the first research project. It was developed with the full participation of personnel from the Ministry of Agriculture, some of whom were also involved in the design of the first research project.

#### The First Project: Basic Agricultural Research

The first AID agricultural research project in Malawi grew out of a recognition in the mid-1970s that stronger national research

programs were needed in Africa.<sup>1</sup> In 1976 the AID regional office responsible for Malawi, OSARAC, approached the Malawian Government with an offer to finance a research project. The Government responded in October 1977 with a \$6.1 million proposal concentrating on construction and training (Government of Malawi, 1977:iii). OSARAC concerned that the proposal was too narrow to launch an effective research program, expanded it to include a technical assistance component. The Government had also requested US assistance in tobacco and sugar research, but AID/W decided as a matter of policy not to support such research (AID, 1979b:3). This decision reflected the higher priority given by New Directions to basic food crops than to cash crops, as well as AID's sensitivity to US sugar and tobacco interest groups.<sup>2</sup>

The revised proposal, recast as an AID Project Identification Document (PID), was submitted to AID/W in March 1978. It outlined a five-year \$7.8 million grant for basic agricultural research with a small farming systems component (AID, 1978).

AID used the Title XII mechanism to develop the proposal into a detailed project. This mechanism was introduced by Congress to increase US universities' participation in international development.

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<sup>1</sup>AID documents make references to research in the early 1960s, but it was not a substantial component of any project.

<sup>2</sup>US interest groups have in the past succeeded in persuading Congress to limit AID assistance to activities that would expand the supply of commodities which are in surplus in the US and which the US is not competitive on world markets. For example, Sections 239 (k) and 620 (d) of the Foreign Assistance Act and Section 901 (a) of Public Law 95-118 contain language limiting US support for sugar and citrus crops.

Under this mechanism, US land grant universities receive preference as contractors to design AID projects when they are perceived to have a comparative advantage over consulting companies and other organizations. A university would get involved at the design stage of a project and then, typically, be the contractor implementing the project.<sup>3</sup> It was expected that Title XII would improve the design and implementation of AID's agricultural projects.

A University of Florida team of professors led by an AID project officer worked with the Malawians on the Project Paper (PP). The purpose of the project was to "strengthen the capability of the Department of Agricultural Research within the Ministry of Agriculture and Natural Resources to provide socially acceptable and economically sound research for smallholder needs in satisfactory quality and quantity and in a form usable by the extension service" (AID, 1979b:1). This was to be achieved by strengthening research and extension coordination, establishing research programs in production economics and farming systems analysis, introducing appropriate technology and farm mechanization, training thirty-three Malawians overseas, financing in-country training, and building facilities for staff. Finally, the PP noted the need for a smaller follow-on project (AID, 1979b:12).

An important assumption made by the PP team was that the National Rural Development Plan (NRDP) would "continue to be successful in

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<sup>3</sup>In practice, once a US land grant institution receives the contract to design the project it usually receives the contract to implement the project as well. In theory, however, this need not be the case since the design and implementation of the project involve two separate contracts.

improving the effectiveness of the extension service" (AID, 1979b:13). The PP team noted the view of the World Bank, which was financing some extension through the NRDP, that extension was having a "positive" effect (World Bank, 1975a:19; AID, 1979b:29). Another reason extension was excluded from the AID project design was that there was not enough AID money to address both research and extension.

The project experienced problems from the outset. It was authorized by AID/W in 1979 and signed with the Malawian Government in August of that year. But the contract for implementation was not signed with the University of Florida until nine months later. As a result, one expected benefit of the new Title XII mechanism -- rapid project start-up -- was not realized.<sup>4</sup>

While some AID staff note that a nine-month time lag between signing the project with a government and a contractor is not unusual, in this case two prospective technical assistance candidates were reportedly lost to the project because of the delay (USAID/M. 1981b),

as a juxtaposition of the intended and the actual qualifications makes clear:

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<sup>4</sup>The first evaluation noted that all parties agreed the delay was AID/W's fault, but could not determine the reason.

PP Qualifications

PhD agronomist, minimum seven years' experience in crop production.

PhD in horticulture, minimum seven years' research experience in a tropical or subtropical region.

Actual Qualifications

PhD in pasture agronomy with no experience in crop production.

PhD in horticulture just obtained, only experience was four years as a teaching assistant.

Problems resulted from the compromises on the quality of technical assistance. An AID report noted that project officials concluded that a crop agronomist really had been needed and that the pasture agronomist, therefore, would be replaced when the contract expired (AID, 1983d). Thus, an underqualified person occupied a position for two years. The horticulturist resigned after several months.

Relations between USAID/M, the technical assistance team, and the Malawians were reported to be generally poor, although varying by individual (USAID/M, 1982b). This was attributed in part to the project's lack of clearly defined priorities, absence of agreed-on work plans at the start, and unclear management arrangements between AID, the Government, and the technical assistance team (USAID/M, 1981b; AID, 1982b). Each of the three groups of actors put different priorities on producing results, strengthening institutions, and providing commodities, physical facilities, and services. For

example, the Ministry of Agriculture's actions reflected its expectation that research results would be produced rapidly -- an expectation implicitly supported by the Project Paper's prediction that only a small follow-on research project would be needed, and that specific outputs would be obtained after five years (AID, 1979b: 14-15). Shifting priorities resulted in one project technician being appointed to three different positions during a two-year tour with the result that little was accomplished in any of the areas. He was appointed Head of the Maize Breeding section, then made the wheat agronomist, and finally assigned as the maize agronomist in charge of fertilizer response trials.

The Ministry of Agriculture and the University of Florida disagreed about the use of short-term consultants. The Malawians were critical of the fact that most of them were in the country for two weeks or less, and that few made repeat visits. To exacerbate matters, an AID review team could not locate consultants' trip reports; it was told that copies were available, but only at the University of Florida campus in Florida (AID, 1982b: 14-15). The Ministry of Agriculture also resented that it was only a passive participant in the selection of the short- and long-term technical assistance personnel, whereas the University of Florida and USAID/M made the decisions. Finally, the Ministry was disappointed that three-quarters of the long-term Malawian trainees were placed at the same institution, the University of Florida, thus depriving the research program of a greater diversity of views. Other problems that added to the project's woes included delays in the arrival of research

equipment and the University of Florida's reported lack of familiarity with AID regulations.<sup>6</sup>

The project's most difficult component -- to assist in creating an institutional capacity to conduct research for smallholders -- did not go well. An AID evaluation in 1983 concluded that the research management system used by the project was only a minor improvement over what had been in place prior to the project (USAID/M, 1983c:61). The project was judged to have succeeded in raising the general awareness of the problems in the research management system -- an unexpected result.

The expected advantages of using the Title XII mechanism were not borne out by this experience in Malawi. AID's use of a JS land grant university as the design and implementing contractor did not avoid serious design and implementation problems. Many of these problems were similar to those identified by AID's worldwide review of agricultural research projects and by the US Government Accounting Office's review of the use of university contractors by AID (AID, 1982a; Government Accounting Office, 1981).

Although not contributing much to the overall institutional development of Malawi's research system, the project did have several positive outputs. One project component established a functioning horticulture research program at a station in the south of the country. Moreover, the project infrastructure and training outputs

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<sup>6</sup>Although an AID audit of the project concluded that the University of Florida was not familiar with AID regulations, the University had been implementing AID projects in Latin America and elsewhere since the 1960s.

were largely achieved. These project components will provide the follow-on research project with a broader base on which to build.

The two small AID projects supplementing the major project performed well. However, neither of them had been envisaged during the design stage of the main project. One was a twelve-month project funded by the Women in Development (WID) office in AID/W. The other was a regionally funded project called Farming Systems Research Activities in East and Southern Africa (698-0444).

The purpose of the WID project (930-300) was to collect and analyze data concerning the role of women in crop production. Two expatriates, already in the country, and several Malawians were funded at a cost of \$120,000. Malawians and an AID evaluation argued that this project succeeded in raising the awareness of the role of women in agriculture (USAID/M, 1983c). The project team established a system for collecting and analyzing data, published the information in a useful form, and trained several Malawians to continue running the system.

The second small project was implemented by a regional office of the International Center for the Improvement of Maize and Wheat (CIMMYT). Its purpose was to provide networking and training among cooperating national programs, to assist with on-farm research in nine countries, and to institutionalize the on-farm research process. It was developed by AID's regional office in Nairobi, REDSO/ESA, in response to a felt need to coordinate agricultural research, methodologies, problems and results, and to improve the poor communication and coordination among universities, contractors, and

recipient countries in East and Southern Africa. CIMMYT's East Africa regional office in Kenya was selected to implement the project because of its long experience applying the farming systems methodology in the region. CIMMYT staff are generally credited with bringing the farming systems research (FSR) approach to the forefront in Malawi. Although the University of Florida team members were not all experienced with FSR, they worked with CIMMYT in conducting a course that applied the FSR methodology in Malawi. The Florida team provided on-the-ground continuity between the visits of CIMMYT staff.<sup>7</sup>

The lackluster performance of the main project coincided with a growing awareness that the extension service was not performing as well as had been reported by the World Bank and assumed by AID (USAID/M, 1982b, 1983c). This state of affairs led to a decision in 1982 to reassess the entire research and extension system in Malawi. The International Service for National Agricultural Research (ISNAR) conducted the review with World Bank financing. The lessons learned from the larger project and the two smaller ones were incorporated into the design of the follow-on USAID/M research project.

#### The Follow-on Project: Learning from Experience

AID plans for a follow-on research project began while the first research project was still underway. In 1982 an AID team visited Malawi and concluded that it was preferable to combine research and extension in the same project, given the poor links existing between

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<sup>7</sup>Based on the positive evaluation of CIMMYT's performance, AID signed a follow-on project with CIMMYT (AID, 1984a).

the two (USAID/M, 1982b). The team also decided to delay any further AID action until the ISNAR review had been completed.

After the ISNAR review, Malawians, USAID/M, and representatives from the World Bank's Washington and Nairobi offices met to consider a coordinated effort. Between 1983 and 1985, decisions about responsibilities, financing arrangements, and research and extension agendas were worked out by the three parties. The National Agricultural Research Project, sponsored by the World Bank's Washington office, was the first project to be signed. In November 1984 AID/W approved USAID/M's PID and in early 1985 a PP design team arrived in Malawi. During the design of the USAID/M project, the remaining details between the World Bank-Nairobi's Agricultural Extension and Planning Support Project and AID's Malawi Agricultural Research and Extension Project (MARE) were clarified.

Malawi's new research and extension program is comprised of these two World Bank (IDA) projects worth \$35.7 million, USAID/M's project for \$14 million, and a contribution by the Malawian Government of \$33.1 million. Thus, a total of about \$83 million is to be invested between 1985 and 1990 (USAID/M, 1985c:ii). USAID/M's project will seek to improve the Ministry's institutional capacity to increase the productivity of traditional crops and to identify the most viable crops for diversifying smallholder production. Training is the core of this project, accounting for 60 percent of the total cost, while research and extension account for 21 percent and 15 percent respectively. The World Bank assistance is aimed at improving the technical and managerial skills of Ministry of Agriculture personnel.

streamlining its organizational structure, and improving its cost effectiveness.

The USAID/M and World Bank projects were designed with the comparative advantages of the two institutions in mind. Long-term training in agronomy, production economics, and the production of various food crops will be financed by AID since the US has a large pool of institutions with a recognized capability in these areas. For crops in which the US has a limited capability, such as coffee, the World Bank will finance training outside the US at institutions which have a predominate capability in those areas -- something that is difficult for AID to do because it runs counter to US aid-tying objectives.<sup>8</sup> Given the emphasis on food crops in the new research program, this division of responsibilities has meant that AID's MARE Project focuses on technical matters with regard to food crops while the World Bank projects focus primarily on the management of the research system and the remaining technical areas.

The Ministry of Agriculture was closely involved in the design of the MARE Project. In part as a result of the ISNAR assessment, the Ministry decided to pursue a research strategy for food crops that borrows relevant research results from other countries and international research institutions.<sup>9</sup> This strategy represents a movement away from the earlier emphasis on basic research. Encouraged

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<sup>8</sup>To finance training outside the US, USAID/M would have had to seek waivers for the trainees and institutions. Such waivers are not granted automatically. USAID/M estimates that each year roughly one-third of its waiver requests are rejected.

<sup>9</sup>This had proved effective in Malawi's export crop research programs (Jha, 1985).

by the performance and potential of FSR as introduced by CIMMYT, the Ministry has given FSR a substantial role in the new system. It has also incorporated a women's component, drawing on the experience from the women's project.

MARE's implementation arrangements also reflect the Ministry of Agriculture's close involvement. To avoid what happened in the first project, the Ministry explicitly stated that it wanted the trainees sent abroad to different institutions so they would bring a diversity of views to the research program. Thus, the project's training component will be contracted separately from the research and extension components. In this manner the US institution implementing the research and extension components will not directly control the placement of students. In another departure from the first project, research and extension components will be contracted to a consortium of US institutions rather than to a single Title XII institution, thereby making available a larger pool of technical assistance personnel. The process for selecting both the contractor and technical assistance personnel was changed to give the Ministry a greater say. Finally, AID/W agreed to the Ministry's request to include a horticultural emphasis, even though at first it was felt that this ran counter to the Africa Bureau's new strategy of focusing agricultural research on food crops.<sup>10</sup>

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<sup>10</sup>The Government argued that Malawi's regional markets for staple crops were limited in light of Zimbabwe's comparative advantages, so an attempt to diversify into horticultural crops made sense. High-value, low-bulk crops such as macadamia nuts would also reduce the high unit cost for external transport associated with such traditional staples as maize.

Substantial credit should be given to the Malawians for their role in designing the project. Some of the key Malawians involved had participated in designing and implementing the first research project or the two smaller ones.<sup>11</sup> They constituted the main source of memory regarding the earlier experience. In contrast, none of the AID or technical assistance people who participated in the design and implementation of the first project participated in the design of the second one. The average tour of duty of AID staff in Malawi or in AID's regional offices is less than four years, and it took about four years from conception to the beginning of implementation for both the first and second research projects. The resulting lack of AID institutional memory in Malawi is reflected in USAID/M's expectation in 1982 that the follow-on project would probably be designed and implemented in the same fashion as the first one (USAID/M, 1982b).

The problem within USAID/M of inadequate staff continuity and institutional memory implies that Malawians are probably better able to design a project appropriate to the local context. Thus, any activities that increase the ability of Malawians to participate actively in designing and implementing projects would seem to be a useful long-term investment.

Since the follow-on research project is just getting underway it is premature to talk about its impact. Yet there are reasons for optimism. It appears that the lessons from the first project have led

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<sup>11</sup>For example, the current Director of the Chitedze Research Station, the main research station in Malawi, was a member of the team which worked on the design of the first AID research project.

to significant improvements in the design of the second one.<sup>12</sup> Rather than address the research system's problems on a piecemeal basis, a coordinated Government and multidonor effort was mounted. Also, because Malawians have been much more involved in the second project from the outset, it is anticipated that when problems do arise during implementation, they will respond quickly to correct them.

#### Agricultural Education: Bunda College

AID has helped to fund agricultural education in Malawi since the early 1960s. Its support has been concentrated on one postsecondary institution, Bunda College of Agriculture of the University of Malawi. This case offers some insight, therefore, into how a long-term AID involvement is affected by shifts in the US general development strategy and in AID management concerns. Bunda College's positive performance suggests that certain factors have counterbalanced the effects of AID's discontinuous and fluctuating support. These include the Bunda administration's capable management of donors and their projects, the donors' willingness to support education, the concentration of assistance at one location, and the nature of building an educational institution, which may make continuity of assistance less important than in other types of development activities.

This case study is also of interest because postsecondary

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<sup>12</sup>The technical assistance selection process has proceeded smoothly. Malawians visited the US in July 1986 to interview prospective candidates. By the end of September all the people selected were in Malawi, and a candidate for the only remaining open position was in Malawi for interviews.

agricultural education is another area in which the US claims a special expertise through its land grant approach. One question to be answered, therefore, is where this approach has taken AID in Malawi.

Three projects constitute AID's program for Bunda College, corresponding to the three phases of AID assistance to Malawi: 1962-70, 1972-79, and 1976-84. In addition to being discontinuous, the AID's funding fluctuated in amount from high to low, and then back to high again.

#### The First Project: Creating an Institution

In 1962 AID undertook a \$2.7 million umbrella project, Agricultural Development (612-134), as part of its expanding program in Malawi. The stated purpose of the project was "to increase agricultural production by helping to establish effective extension, credit, and crop organization and training facilities essential to their support" (AID, 1964). In essence, however, it was essentially an education project to produce extension agents.

Prior to the creation of Bunda College, candidates for diplomas in agriculture went to Chibero College in Southern Rhodesia (now Zimbabwe) or to Egerton College in Kenya. However, with independence approaching and numerous expatriates departing, the Government of Malawi sought to expand the supply of trained manpower with agricultural skills. Bunda was to fill that need.

The US and Great Britain joined efforts, and in 1962 Bunda College began to take shape. Forty-six percent of AID project funds went for the construction of the new campus outside of Lilongwe. A

technical assistance contract with the University of Massachusetts accounted for another 35 percent, while college (BS) training for nine Malawians and miscellaneous support accounted for the rest. Of the eleven technical assistance people funded under the project, seven worked primarily for Bunda College.

Bunda's size and responsibilities grew rapidly. In 1962 it was directed to develop a three-year diploma program. A parallel four-year program was added in 1965. The school became part of the University of Malawi in 1966 and thirty-seven students formed the first official class.<sup>13</sup> By 1970 there were 174 students, with space for 380. Enrollment was constrained by a lack of professional Malawian staff and laboratory facilities (Univeristy of Massachusetts, undated:4).

Eight years after Bunda was established, in 1970, USAID/M and the University of Massachusetts strongly requested that a follow-on project for four more years be authorized to solidify the gains made so far. The request came at the beginning of the second period of AID assistance, when the bilateral program in Malawi was being phased out in line with the Korry Report's recommendations. The idea for a follow-on project was turned down by AID/W.

When AID's role ended in 1970, most of the college had been constructed with AID funds. The BS training program had been organized and a curriculum introduced. A recent AID study of Bunda reports, however, that the curriculum was not "institutionalized" until after

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<sup>13</sup>Before the Bunda campus was ready the teaching program was conducted at the Colby School of Agriculture outside of Lilongwe.

the AID-financed technical assistance people left (AID, 1985e).

### The Second Project: Interim Support

In 1972 AID offered to fund a "modest technical assistance program, preferably in the agricultural sector" (AID, 1975:1).<sup>14</sup> This resulted in a \$340,000 regionally funded project (690-026) at Bunda College to finance two US instructors and a little training. Although it was not a long-term solution to Bunda's teaching staff constraints, it did help ease the immediate shortage.

The project was not implemented by the University of Massachusetts, even though that institution had established an excellent relationship with Bunda College during the first project (AID, 1985e). Instead, a US consulting firm won the contract. Considerable difficulty was encountered during implementation. USAID/M project files show that the problems included the delayed arrival and poor quality of the technical assistance staff, and poor support to that staff by the contractor.

### The Third Project: Renewed AID Support

In the mid-1970s, President Banda, the Ministry of Finance, and the University of Malawi all made it clear that Bunda College was their "highest priority for AID assistance" (AID, 1976:2). Bunda had received another boost in its responsibilities in 1975 when it was charged with starting a five-year degree program (University of

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<sup>14</sup>The rationale for this offer is unknown. But it was probably related to the considerable opposition to the Korry Report from within AID and the State Department.

Malawi, 1985). This needed funding.

In 1974 the AID regional office responsible for Malawi concluded that trained agricultural manpower was likely to be the most binding constraint on Malawi's development (AID, 1974a). In 1975 an AID team arrived in Malawi to develop a project with Bunda. The purpose of this project (621-054) was to assist in the removal of constraints to development in the rural sector. It was to be achieved by expanding Bunda College's output of trained people. Specific outputs for the college included "localization" of staff from 32 percent to 90 percent by 1980/81, increased through-put of diplomates and the new five-year degree students, increased number of practical courses, training of future teachers, and a construction program. Bunda's instructors would be trained under the project to the Masters degree level. The \$4 million budget broke down as follows: 57 percent for construction, 22 percent for technical assistance, 15 percent for MS training, and the remainder for commodities.

At about the time that AID's third project began, Bunda College signed another project agreement with UNDP/FAO. The primary purpose of this \$2.8 million project was to train 27 faculty to higher degree qualifications (University of Malawi, 1985). Thus, a number of the teachers trained to the MS level by the AID project continued immediately to work toward a PhD.

The combined effect of the UNDP/FAO and AID projects resulted in Bunda exceeding AID's staff localization, diploma, and degree targets by 7 percent, 74 percent, and 74 percent respectively (University of Malawi, 1985:3). Implementation of the AID project was slower than

anticipated, but then AID had not envisaged the UNDP/FAO project.

During the life of the third AID project, the college's recurrent costs rose more than expected by either AID or Bunda. In addition to this problem, three other worrisome trends have been identified by the College and outside reviewers. First, Bunda's rapid growth is leading to a mismatch between the supply of and demand for its graduates, the majority of whom still find employment in the extension service (as opposed to the private sector).<sup>15</sup> A cut-back in the numbers of students will result in an underutilization of the College's highly trained staff. Second, Bunda's mandate was expanded again in 1985 to create a Masters degree program -- which requires a quality research program. Third, Bunda has evolved little beyond its role as a teaching institution. Research and extension opportunities for faculty are limited, and the college's links to the Ministry of Agriculture's research and extension system are poor.<sup>16</sup> Thus, the possible benefits suggested by the land grant model -- such as the complementary gains of combining teaching, research, and extension in one institution -- have not yet been attained. On the positive side, Bunda has initiated a study to determine its future role.

The AID and UNDP/FAO projects are closely intertwined. Therefore, even though the AID project ended in 1984, a full

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<sup>15</sup>Interestingly, an AID analysis had projected that this problem would occur in the 1980s (Thompson, 1975:1). But no attention was paid to this issue and it is not mentioned in the final project document (AID, 1976:4).

<sup>16</sup>Bunda's entire research budget in 1985 was \$51,000. Several small research activities are underway, such as AID's Bean-Cowpea CRSP and studies for IDRC. However, they do not appear to be integrated with the teaching program or the national research system.

assessment is not possible until the UNDP/FAO project ends in 1987. Nevertheless, experienced observers have been favorably impressed with Bunda's achievements since its founding in the early 1960s (Eicher, 1985; AID, 1985e). It has conferred more than 860 diploma and 300 BS degrees, or roughly one-quarter of all the degrees granted by the University of Malawi. A recent AID study found that Bunda's graduates have no difficulty finding jobs consistent with their skill levels.<sup>17</sup> Graduates are found in nearly all the mid- and senior-level positions for managers, researchers, and extension workers in the Ministry of Agriculture, and many work in the private sector. And roughly 10 percent of all secondary school teachers are Bunda graduates.

Continuity and stability of donor assistance are often cited as important elements for a program's success. However, the experience at Bunda suggests that this argument needs to be refined. AID did provide long-term support, but it was neither continuous nor stable. Yet this does not seem to have seriously hampered Bunda's development.

This case study suggests, therefore, that the lack of continuity may be of less concern with projects supporting educational institutions than with other projects, such as those supporting agricultural research. With an educational program, the amount of backsliding between projects is likely to be less than with a research program. The lack of books, teaching aids, and qualified teachers to maintain a school program can be more easily compensated for than the

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<sup>17</sup>A small survey found that employers in both the public and private sectors were pleased with the relevance of Bunda's training.

lack of petrol, equipment, and research staff to maintain experiments and field trials.

Another important difference is that more donors seem willing to contribute to educational institutions than to agricultural research. This reduces the importance of assistance from any one donor. While receiving assistance from multiple donors poses problems of coordination, Bunda's administration appears to have succeeded quite well in managing projects from at least ten different donors in addition to AID.

Perhaps just as important, all donor assistance has been centered at one location. This also helps to counterbalance fluctuations in aid because it is easier to shift resources among departments and projects at one location than, for example, among research stations in different parts of the country, often funded by different donors.

Finally, the potential problems have undoubtedly been eased by the continuity of the College's leadership (four principals in twenty-three years) and of the President, a strong patron of the University. This continuity has helped to minimize the destabilizing effects of shifting donor assistance and rapidly expanding responsibilities.

The experience at Bunda College suggests a possible future role for AID. Bunda's development has been impressive, but it is still evolving. The College has already become the repository of the largest number of Ph.D. agricultural scientists in the country, yet they remain primarily teachers. Expanding Bunda's role in research would redress some of the worrisome trends noted above by making better use of the faculty's capabilities and by helping to integrate

Bunda into the national research and extension system. Bunda will be starting a Master's degree program within the next several years, and it is important that postgraduate degree candidates -- as well as other students -- be exposed to current research as part of their training. With good supervision, the students can make useful contributions to that research, and some of them will probably become the next generation of Malawi's researchers. USAID/M support for research is likely to offer significant returns since it would capitalize on investments already made by AID. A collaborative arrangement with a US university experienced in working with sister universities overseas could help Bunda develop a quality program integrating research, teaching, and extension work. It would also draw upon AID's comparative funding advantages within the donor community.

#### Transportation Infrastructure: roads

AID has funded two road-building programs in Malawi. The first program responded to a clear development need; the second primarily satisfied a US political objective. Although both road programs have made a positive contribution to Malawi's development, the first appears to have been more effective, attuned as it was to Malawi's economic situation. The second road program represents a pragmatic choice, given the absence of a mission in Malawi, and the shifting US concerns that have motivated assistance to Malawi.

#### The First Program: the lakeshore road

The lakeshore road program was conceived and designed during the first period of AID's effort in Malawi, when USAID/M was relatively unencumbered by US concerns. Two projects constituted AID's contribution to the road (612-028 and 612-141). Although the mission was closed before the second project got underway, it was nevertheless authorized because a commitment had already been made to the Government.

At independence in 1964, Malawi's need for transport infrastructure was acute. There were no all-weather roads outside the southern third of the country. A lakeshore road extending from the south through the central region to the northern part of the country was one of the Government's top priorities. The road would open up inaccessible areas, reduce transport costs, and connect the various parts of the new country together.

Working with the Government of Malawi and the World Bank, USAID/M assisted in identifying critical needs for road infrastructure (World Bank, 1966:19). The lakeshore road was first identified for funding in the early 1960s in a general study on transport needs. A later survey by AID developed the detailed analysis and confirmed the validity of the earlier survey.

The World Bank considered the project, along with several other road projects, as "one of the most important projects" for Malawi (World Bank, 1971:2). And after the project's completion in 1973, the World Bank reported that the lakeshore road had "opened up large tracts of farm land in the middle lakeshore area" (World Bank, 1973:28). The road met a clear development need and also fulfilled

one of President Banda's four dreams for Malawi.<sup>18</sup>

### The Second Program: the political road

The second road program was undertaken in the second period of AID assistance, when AID was not supposed to be as active in Malawi as earlier. As part of the regional effort to provide Zambia with access to the sea through Malawi to Mozambique, the program was meant to indicate concrete US support for the Frontline Nations against Rhodesia.

Three projects constituted this program. The first was a feasibility study, while the others financed the upgrading of two parts of the existing road. The first of these, Malawi Roads Phase I, upgraded a major road in the southern part of the country. The second, Phase II, upgraded the section of the road in the central part of the country from the Zambian border to Lilongwe. Reviewing the justification given for each phase of this program reveals the extent to which political criteria dominated the selection process.

The Phase I project started in 1973. Its political importance was noted in the AID Project Paper (PP). The expected benefits to Zambia were not mentioned, however, in the economic analysis section of the PP; only the benefits that would accrue to Malawi were discussed. The PP did note that the Malawian Government had "assigned high priority to this road in order to support the Government of Zambia's efforts to find alternative transport routes for its imports

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<sup>18</sup>No US companies were willing to construct the road, so the Government of Malawi's construction units undertook the work for AID.

and exports which previously have been transported through Rhodesia" (AID, 1973:ii). Consultations between Malawi, AID/W, and the World Bank concerning the road were held in January 1973; the Zambians were not in attendance.

When this project was proposed in 1973, the burden placed on Zambia by the Rhodesians had already been reduced. An oil pipeline between Zambia and Tanzania completed in 1968 had relieved Zambia's oil and petrol shortages. Construction of the Tanzania-Zambia railroad (TAZARA) and the Tanzania-Zambia (TANZAM) highway were also well underway. In Malawi, the railroad ran in the same direction as the proposed road and was carrying an increasing share of the total shipping volume since Malawi had recently expanded its rolling stock. These factors undoubtedly contributed to the reduced volume of traffic observed on the road that AID proposed to upgrade (AID, 1973:2). The World Bank's assessment in 1973 was that the strain Zambia had been putting on Malawi's transport system had been overcome (World Bank, 1973:28). No alternative road investments were identified in the Phase I proposal.

Over a year later when AID designed Phase II of the road program, the analysis still did not reflect regional transportation realities. The PP noted that the "road is the main road (through one of Malawi's most productive areas) and... serves as the major Malawi-Zambia trade route and Zambia's only access to Mozambique ports" (AID, 1974b:i). This statement is technically correct in that the road was part of the major Malawi-Zambia trade route. But the PP failed to mention the relatively minor importance of this trade route when compared with

Zambia's alternatives, particularly the three routes through Tanzania, Zambia's close friend. When the Phase II project was proposed, the TAZARA railroad was only a year away from opening (World Bank, 1975b:12-13; American University, 1979:197). With the railroad, the oil pipeline, and an upgraded highway to Dar Es Salaam, Tanzania had become Zambia's most important route to the sea by far. In fact, the US had begun road construction in Tanzania to upgrade part of the Tanzania-Zambia highway (Dijkerman, 1986b). Furthermore, Malawi's railway (which paralleled the road) had become its most important link to the sea. One rail line extended to the Mozambique port of Nacala while another connected with existing links to Beira (World Bank, 1975a:30-31).

The contribution of the Phase I and Phase II projects in helping Zambia gain access to the sea was minimal (American University, 1979:197). In addition, Zambia's behavior casts doubt on the real need for the roads through Malawi. Minimizing transport costs was not one of Zambia's priorities. Even after the Rhodesians reopened their border, Zambia maintained a ban on transporting goods through Rhodesia and continued to use the longer and more expensive route through Tanzania.<sup>19</sup> This decision may be attributed to Malawi's suspect status among the Frontline Nations because of its continued relations with South Africa. After the copper crash in 1975 and 1976, when Zambia did become more conscious of transport costs, it used the cheaper routes through Rhodesia, again bypassing Malawi.

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<sup>19</sup>The border was actually closed for only a month. In the face of an international outcry, the Rhodesians reversed their decision.

While the second road program did not help Zambia, it did later prove of value to Malawi. In the 1980s, the road constructed under Phase II (from Lilongwe to the Zambian border) became an important road as a result of Malawi's worsening external transport situation (USAID/M, 1984). In April 1983, Malawi's principal rail link to the Indian Ocean port of Beira was cut by Mozambique's insurgents, and by April 1984, the secondary railway link to the port of Nacala had been severed as well.<sup>20</sup> As a result, nearly all of Malawi's import and export traffic had to flow overland through Zambia or Zimbabwe.

This is an example of the sort of unforeseeable twist of events that can occur. Had it not been for the insurgency in Mozambique, the road from Lilongwe to the Zambian border would have remained just another road. Serendipitous events increased the contribution, hence the impact of the second program. It would be misleading to attribute the impact of this program to AID's ability to select good development projects.

There is a positive aspect to the second road program that should be noted. Using resources allocated primarily for political reasons to finance a road was preferable to using them to finance an activity that would have required additional and steady support for years, such as agricultural research. The problem facing AID is that the need for assistance might last longer than the political motivation for providing that assistance. Indeed, this was a likely possibility in Malawi, given the shifts in the dominant US interest there. A road

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<sup>20</sup>Both ports are in Mozambique and represent Malawi's shortest routes to the sea.

project is a relatively straightforward and self-contained investment: once the money has been allocated, the road can be built and start producing a stream of benefits. A complex institution-building effort like agricultural research is very different; it may take many years and several projects before substantial benefits are obtained.<sup>21</sup> This case suggests that it is important to be clear about the motivation for US assistance when selecting an activity for funding.

Economic Policy Reform Program: Removal of the  
Fertilizer Subsidy

The Economic Policy Reform Program (EPRP) is included in these case studies because of its size (\$15 million) and its focus on policy reform. In addition to being a new USAID/M program, it is a new assistance instrument for the Agency as a whole.

The EPRP instrument was developed by AID's Africa Bureau to provide nonproject assistance to countries with a proven commitment to development as evidenced by their undertaking needed policy reforms. Presently the EPRP is funded as a subsection of the ESF account, rather than through a new account as originally planned.<sup>22</sup> The intent of the Economic Policy Reform Program with its own pool of

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<sup>21</sup>A recent paper reviewing the experience of agricultural research in Africa concludes that the minimum time for developing useful technology (such as new varieties) was roughly a minimum of ten years (Eicher, 1985).

<sup>22</sup>Several AID officials expressed an uneasiness with this arrangement since, as part of the ESF account, the EPRP must compete directly with political concerns to obtain resources. With the tightening of the AID budget, the political concerns may predominate and influence the selection of countries eligible for an EPRP.

money was to link a country's eligibility for an EPRP to concrete economic performance.

Malawi was selected as one of the first five recipients of an EPRP because of its past development performance, current need, and willingness to reform as demonstrated by its agreements with the IMF and World Bank.<sup>23</sup> AID's judgment that such a program would be more likely to succeed in Malawi than in a country where the government's efforts to cope with policy problems were minimal was also important. Similarly, a \$15 million program in a small country such as Malawi would be of greater significance than in larger countries receiving greater amounts of assistance from other sources (AID, 1985f).

The development of the EPRP in Malawi must be viewed in light of the time constraint the mission was under, the necessity to develop a significant policy reform program with conditionality, and the complex issues that are typically involved in a policy reform program. The result was that certain key issues were not ferreted out, the need for additional informational was not anticipated, and analyses (studies and research) to verify empirically important assumptions were not initiated.

No policymaker ever has all the information a researcher thinks is needed to make a decision. Policy changes inherently involve guesswork and risk. At some point one must accept uncertainty and move ahead. In this uncertain environment, flexibility and feedback are therefore desirable: flexibility to adjust a program when implementation difficulties arise, and feedback from ongoing

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<sup>23</sup>The other recipients were Mauritius, Rwanda, Zambia, and Mali.

information-gathering activities to make timely adjustments as new empirically verified information becomes available. The Malawi EPRP is flexible in that the release of funds is tied to the Government's compliance with AID benchmarks, and funds are provided for "studies." But the EPRP is less adequately towards empirically analyzing little understood linkages in the smallholder sector that have an immediate bearing on the program, or toward monitoring the impact on smallholders.

The potential impact of the EPRP is not well understood. Due in part to the pressures to take advantage of this funding opportunity, some important related issues were not adequately addressed -- as, for example, the indirect linkages with low-income groups in the recipient country. This case study, and others suggest that easing the pressure to develop a policy reform program quickly, and perhaps encouraging the development of such a program before AID allocates money to a country, can allow a more reasonable pace for designing these intrinsically complex and politically sensitive programs.<sup>24</sup>

The origins of the program to remove the fertilizer subsidy lay in the late 1970s when Malawi started experiencing serious financial difficulties. During negotiations with the IMF and the World Bank, the removal of the fertilizer subsidy became a central topic. Over the past five years the subsidy had averaged between 10 and 30 percent of the cost of delivering fertilizer to farmers. Malawi imports all

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<sup>24</sup>An encouraging recent example is a 1986 cable from AID/W to the Senegal mission stating that the policy reform program (Agricultural Production Support Project, 685-0269) being developed is too important to be rushed and that the mission should not be concerned about the pressure to obligate.

its chemical fertilizer and has no domestic production facilities.

In 1982, the International Fund for Agricultural Development (IFAD) and the World Bank developed a \$30 million project in Malawi to eliminate the fertilizer subsidy by 1986 and to improve the efficiency of the fertilizer system (World Bank, 1982b). The Malawian Government increased the price of fertilizer to smallholders to the extent of eliminating the subsidy, as defined in the agreement with the World Bank and IFAD.<sup>25</sup> But simultaneous deterioration of Malawi's external transport situation and the devaluation of the Malawian Kwacha caused in an unanticipated sharp increase in the cost of importing fertilizer. The rise in the cost of transporting goods through Zambia and Zimbabwe rather than Mozambique amounted to 20 percent of Malawi's export earnings. The cost of transporting fertilizer to Malawi, according to Government estimates, tripled from \$50 to \$150 per metric ton. The Government decided to absorb this increased cost rather than pass it on to farmers, lest maize production drop dramatically through reduced fertilizer use. It also wanted to avoid the social and political consequences of raising smallholder fertilizer prices, only to see them fall when traditional routes through Mozambique reopened (Government of Malawi, 1985:4). Maize is the country's most important and politically sensitive food crop, and an estimated 70 percent of all fertilizer sold to smallholders is used for maize production.

During subsequent IMF negotiations, the Government agreed to

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<sup>25</sup>The subsidy was the difference between the economic cost of fertilizer imported through Mozambique and the price to farmers.

eliminate the fertilizer subsidy by 1985, regardless of the external transport problem and the declining value of the Kwacha. The subsidy removal also became part of the World Bank's Structural Adjustment Loan (SAL) III.<sup>26</sup> But it quickly became apparent to the World Bank that the Malawians would not remove the subsidy that arose as a result of the unexpected external difficulties. It was in this context that AID decided to develop an EPRP in Malawi.

In early 1985, as a result of meetings with the World Bank and Ministry of Finance representatives, USAID/M concluded that the fertilizer subsidy was an appropriate and manageable policy issue. The EPRP is a \$15 million cash grant, making it the largest single agreement AID has signed with Malawi. The program was designed during 1985, and signed before the end of AID's fiscal year in September. This was a period when most of USAID/M's professional staff changed.<sup>27</sup> The EPRP seeks to reduce the drain on Government resources caused by the fertilizer subsidy (USAID/M, 1985b). It supports the objectives of the IMF and World Bank agreements but revises the schedule: fertilizer subsidies were now to be eliminated by 1990 instead of by 1986. It also includes an explicit schedule for shifting from the sale of low- to high-analysis fertilizers, a schedule developed in part by the Ministry of Agriculture. Malawi has traditionally imported low-analysis fertilizer, such as ammonium

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<sup>26</sup>Several World Bank officials noted that when the Bank agreed to support the IMF condition to remove the subsidy in two years, it had not yet "done its homework" about the potential impact.

<sup>27</sup>Among the key positions reassigned were the Director, the Program Officer, and the Agricultural Officer.

sulphate. Transport costs can be reduced substantially by a shift to high-analysis fertilizer, such as urea (a ton of which contains more than twice as much nitrogen as a ton of ammonium sulphate).<sup>28</sup>

EPRP funds are released after USAID/M certifies that the Government has made progress in eliminating the subsidy and in shifting the supply from low- to high-analysis fertilizers. The EPRP monies will be used to finance the Smallholder Fertilizer Revolving Fund and as well as the revolving credit fund of the Ministry of Agriculture's Agricultural Development Divisions (ADD) (USAID/M, 1985b:2). The growth in the ADD credit program is reported to be the driving force behind the growth in smallholder demand for fertilizer (USAID/M, 1985b:28). The EPRP has also set aside \$1.9 million to be used for studies, technical assistance, and training (USAID/M, 1985b:49-54).

USAID/M and the World Bank have focused their analysis primarily on the direct fiscal effects of removing the fertilizer subsidy. As did other donors, so USAID/M conducted negotiations with the Ministries of both Finance and Agriculture. On the Government side, Finance took the leading role, as is evidenced by the emphasis of the program: fiscal impact.<sup>29</sup> USAID/M notes "the most compelling argument for removing fertilizer subsidies is fiscal rather than

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<sup>28</sup>Ammonium sulfate is generally recognized to increase the acidity of the soil over time, thereby decreasing yields. Thus, the switch to high-analysis fertilizer would also reduce the detrimental effect of this low analysis fertilizer.

<sup>29</sup>While the Ministry of Agriculture has been interested in shifting consumption from low to high analysis fertilizers, it has been less supportive of eliminating the fertilizer subsidy without adequate adjustments for smallholders.

economic... removing subsidies would free up public sector resources" (USAID/M, 1985b:32). USAID/M also states that "the net direct result of this program on smallholder incomes is approximately zero..." (USAID/M, 1985b:42). Furthermore, fertilizer price increases are expected to stimulate more economical uses of fertilizer and greater diversification of the agricultural sector.

Based on projected prices of fertilizer, and assuming that the subsidy is completely eliminated, smallholders will face estimated price increases per kilogram of fertilizer of about 245 to 285 percent in nominal terms between 1984/85 and 1989/90 (USAID/M, 1985b:36).<sup>30</sup> Smallholders who want to purchase the same amount of nutrient value and who switch from low- to high-analysis fertilizer would spend less on fertilizer than those who do not make the shift.

The EPRP rests on a limited analysis of the interrelations within the agricultural sector and between that sector and Government, and on an uncritical acceptance of earlier World Bank work. Among the important relationships are to be analyzed further as part of the studies component of the EPRP are (USAID/M, 1985b:50):

- o The Government's crop pricing policy. A key factor contributing to Malawi's current excess supply of maize is the dramatic rise in the producer price for maize relative to other crops. An increase in the price of fertilizer will stimulate the shift away from maize production. But if smallholders switch from low- to high-analysis fertilizer and if the Government carries out its intention of expanding the ADD credit program, this will offset the impact of fertilizer price increases (Government of Malawi, 1985:8; USAID/M, 1985b:41). Thus, the key issue remains the crop pricing policy of the Government. The marketing and pricing study will address this issue.

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<sup>30</sup>No analysis in real terms was presented in the EPRP document.

the way smallholders apply fertilizer. Smallholders typically apply low-analysis fertilizers by broadcasting. High-analysis fertilizers like urea must be placed under the soil and covered to prevent the loss of nutrient value. Monies from the new Malawi Agricultural Research and Extension Project (MARE) will be used to help the Government develop and test new application packages, and then to help train extension agents to teach farmers how to correctly apply the high-analysis fertilizers. The Government's first steps to implement this component of the EPRP are on schedule.

Other interrelationships affecting the economics of fertilizer use in Malawi are not part of the EPRP studies -- although they should be because it is unclear how they are likely to affect implementation and they are subject to considerable uncertainty and controversy.

Among the problems identified are:

- o Fertilizer usage by smallholders is not clearly understood. Application rates are presently unknown, hence the effect of fertilizer on smallholder fields is unclear.<sup>31</sup> There are no data on the average size or the distribution of holdings using fertilizer (USAID/M, 1985b:C.5). The EPRP document states that "the percentage of smallholders and typical application rates are the subject of considerable debate..." (USAID/M, 1985b:29). Also, the amount of fertilizer that smallholders resell to estates is a subject of considerable debate, with estimates ranging between 5 and 40 percent of total fertilizer sales to smallholders.<sup>32</sup> The absence of such data makes it difficult to estimate the responsiveness of smallholders (and estates) to fertilizer price increases

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<sup>31</sup>The EPRP document presents findings that recommended fertilizer application rates are inefficient for the country as a whole (USAID/M, 1985b, Annex D), but there is no indication whether farmers actually follow the recommended rates. The only on-farm data (as opposed to district or experiment station trials) presented in the paper reports application rates on one type of maize (hybrid) of 40 and 60 kilograms of nutrient per hectare (Table XVI). This is approximately 33 to 37 percent less than the estimated application rate and approximately 55 to 70 percent less than the recommended application rate (Table XVII).

<sup>32</sup>How many estates use resold fertilizer, on what crops, and with what effect are also unknown.

or the impact on maize production.<sup>33</sup> The EPRP contains no explicit plans or allocates no funds to obtain this information.

- o Local and hybrid maize production and marketing relationships are poorly understood. The Ministry of Agriculture maintains that the production increase in maize over the past ten years has been negligible, whereas the World Bank and others maintain that production has increased.<sup>34</sup> USAID/M has accepted the Bank view that past growth was due to an expansion of land under cultivation (USAID/M, 1985 :24). But the fact remains that there is a substantial discrepancy in the data regarding the dynamics of the country's most important and politically sensitive food crop -- and the crop expected to be most affected by the removal of fertilizer subsidies.<sup>35</sup> There are no plans under the EPRP to address this issue.
  
- o The indirect employment, income, and consumption effects of fertilizer use have not been explored. While the better-off smallholders (those with 3 hectares or more who constitute less than 5 percent of smallholders) are generally assumed to be the ones primarily using fertilizer to grow hybrid maize as a cash crop,<sup>36</sup> it is not known how this affects poorer smallholders who sell their labor to those who grow maize. Off-farm income is variously estimated at about 12 to 45 percent of total smallholder income, and is proportionally more important for farm families with less than 1 hectare who constitute an estimated 56 percent of all smallholders (Kydd, 1979; World Bank, 1983:10). Rough estimates of the importance of hired labor as a percentage

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<sup>33</sup>For example, if smallholder application rates are low and thus on the steeper part of the curve showing production response to fertilizer use, the impact on production would be greater than if the application rates were higher and thus on the flatter part of the response curve.

<sup>34</sup>For example, tables prepared by the Ministry of Agriculture show area allocated to hybrid maize declined from 89,000 hectares in 1983/84 to 75,000 hectares in 1984/85, while a recent report commissioned by the World Bank shows an increase of 18,000 hectares.

<sup>35</sup>Basic estimates on domestic production of maize vary substantially. For example, for 1982/83 the Annual Survey of Agriculture estimates production at 803,000 metric tons, while the Ministry of Agriculture estimates production at 1,240,000 metric tons -- a difference of nearly 55 percent.

<sup>36</sup>Limited surveys by Bunda College and others show that fertilizer purchases by smallholders vary considerably by region.

of total labor vary between 5 and 20 percent (World Bank, 1983; USAID/M, 1985b). Thus, the impact of a decline in fertilizer use on the demand for hired labor -- those nutritionally at greater risk from a decline in income -- remains unclear and is the subject of growing controversy.

- o Currently the Government's credit program through the Agricultural Development Divisions (ADD) does not cover all its economic costs. The program is a revolving fund dependent on infusions of donor financing to maintain its "integrity" (USAID/M, 1985b:40). The annual infusions constitute a credit subsidy. In its proposal to USAID/M the Government states that to help farmers adjust to the fertilizer price increases "credit packages would have to be revised to ensure that as many farmers as possible have access to at least small amounts of fertilizer" (Government of Malawi, 1985:8). The reported strong demand for credit by smallholders also suggests that the current program is more attractive than alternatives, such as private credit. The second main use of the EPRP monies is to finance the ADDs' credit program, which suggests that AID is helping remove one subsidy while potentially financing the expansion of another.
  
- o The Ministry of Agriculture concludes from the available information that the nutritional status of the population has declined in recent years. This is echoed by Malawians who argue that a significant number of smallholders use fertilizers not to increase yields but to maintain them in the face of increased population pressures on the land and declining soil fertility.<sup>37</sup> The EPRP document states that the credit program does "not appear to have enabled credit takers to accumulate their own capital stocks" (USAID/M, 1985b:25). If the information is correct, it suggests that credit (that is, the fertilizer it finances) helps farm families in Malawi stay even, and that nutrition is an issue.

There is sufficient controversy on a number of key issues bearing directly on the fertilizer program to warrant the gathering of empirical information. This would also make it easier to address some of the political issues which surround the fertilizer subsidy and related policies.

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<sup>37</sup>Reportedly, Malawians use income from off-farm sources as well as revenue generated from the sale of crops to finance the purchase of fertilizer.

None of the suggested studies identified in the EPRP seeks to monitor the effect on smallholders (USAID/M, 1985b: 47).<sup>38</sup> Nor was responsibility for monitoring the impact of the program explicitly assigned. The EPRP design team reports that the studies were intended to look at the next generation of issues, thus implying that no substantial uncertainties surround the matter of how smallholders use fertilizer.

Earlier World Bank analyses of the impact of removing the fertilizer subsidy had not addressed these issues either (World Bank, 1983; 1982b). In 1986, however, in response partly to the Government's growing concern about the fertilizer subsidy removal program and partly to its own concern that the analyses done to date were inadequate, the World Bank commissioned a report to quantify the possible effects of the subsidy removal. In it, the authors state that the report is, "to their knowledge, the first rigorous, quantitative attempt to answer many of the questions."<sup>39</sup> From a methodological perspective, the analysis is useful and could have been undertaken in 1980 when the fertilizer subsidy first became an issue.

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<sup>38</sup>The EPRP notes the importance of evaluating the impact of fertilizer price increases on farmer demand, and the fertilizer prices and access to credit (USAID/M, 1985b:44). A total of \$75,000 was allocated to these topics under "Audit, Evaluation, and Monitoring" -- at \$25,000 per audit for three years. This compares to \$250,000 for the one marketing and pricing study (USAID/M, 1985b:51).

<sup>39</sup>Both authors had prior experience in Malawi. One author has worked in Malawi on agricultural pricing and marketing issues since 1982, while the other is a professor at the University of Malawi. The Ministry of Agriculture and USAID/M disagree with the authors statement. These disagreements point out the controversy surrounding the fertilizer subsidy and the lack of consensus on the interpretation of available information and on the analytical techniques employed.

It points out the weaknesses in the information currently available and, since it brings in little new data, arrives at about the same conclusion as the mission's EPRP. More importantly, the World Bank has recently begun efforts to obtain empirical information on fertilizer usage in Malawi. In 1986, it commissioned several researchers to analyze the farm-level data collected over the past seven years as part of the Annual Survey of Agriculture, which reportedly contains data that will permit the direct estimation of smallholder fertilizer usage, fertilizer response, labor usage, credit usage, and so forth. Thus, the basic assumptions contained in the Government's, the World Bank's, and AID's analysis about who uses fertilizer in Malawi to what effect can be verified or corrected on the basis of empirical analysis.

It is too early to assess the EPRP's ultimate performance. While the program is based on sound economic theory and the prospect of reducing Government expenditures, it was less than adequate in establishing an ongoing analysis and systematic monitoring component so that important assumptions could be tested. Since the program is flexible in its design, changes can be made to increase the empirical data on which to base judgments about the impact of the program.

## CHAPTER V. IMPACT OF THE AID PROGRAM

Assessing the development impact of AID's agricultural program in Malawi is complicated by several factors. It is not easy to determine whether sufficient time has passed to permit a fair judgment of a particular project. Gaps in information and problems of measurement further complicate the task. Even if these are resolved, there remains the problem of how best to compare the effectiveness of projects that are in different stages of implementation. And yet, despite these difficulties, there is enough evidence to be gleaned from documents and interviews to permit a useful assessment of AID's agricultural program in Malawi.

This study views agricultural and rural development as a generalized process of "capital accumulation." The concept of capital accumulation is used in its broad sense to include contributions to physical capital in the form of infrastructure, commodities, and resources, to human capital in the form of skills, and to social capital in the form of knowledge and institutions. This concept of development emphasizes the importance of establishing efficient mechanisms for sustaining and increasing the stock of "capital" in its various forms. It also implies the need for a balance among the types

of activities undertaken, since contributions to development are enhanced when the different forms of capital complement each other and interact effectively.<sup>1</sup>

## Contributions

### Contribution to Physical Capital

AID has made a clear contribution to Malawi's physical capital base through the construction of roads and buildings and the provision of commodities. AID's three roads (Lakeshore, Regional Road Phase I, and Regional Road Phase II) have been beneficial on two counts. In addition to providing roads which have reduced transport costs, they helped facilitate the development of Malawi's land resources. This is particularly true of the Lakeshore road, which helped open up the lakeshore area after independence. An unexpected gain from the regional roads has been a sorely needed external transport link.

Most of the AID-financed roads are still operative. Two of the three roads remain of good quality while the third, the Phase I road, has partially deteriorated. Roughly 28 percent of this road "failed" an evaluation by two US Federal Highway Administration specialists (Stephenson, 1982:iii). Although the cause of the problem was not identified with certainty, it appears that faulty construction combined with use of the road by trucks carrying excessively heavy

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<sup>1</sup>The conceptual framework used in this chapter follows the work of Harry Johnson (1969). A detailed presentation of the framework and the reasons for choosing to use it appear in a companion paper by Johnston and Hoben (1986).

loads were responsible for the deterioration.<sup>2</sup> The other roads have been maintained by the Government.

AID has also contributed to expanding the physical infrastructure of Bunda Agricultural College and of the Ministry of Agriculture's national research system. At Bunda, AID financed most of the original buildings. A library, classrooms and other facilities were added by AID's third project at Bunda. Under the first agricultural research project 48 staff houses, 6 cold rooms, 5 storehouses, and 3 offices were constructed. By appearances, they are all being maintained. Finally, AID has supplied over \$1 million worth of commodities to Bunda College and to the national research system. The use of some of the commodities has been limited by their late arrival (after the technical assistance team had left), and by the lack of staff familiarity with the equipment, and by the absence of local maintenance capability.

#### Contribution to Human Capital

AID has also clearly added to Malawi's stock of human capital. Training has been a major element of AID's agricultural activities since the 1960s, and a component of most projects.

AID's chief contribution to Malawi's human capital in agriculture has been through its assistance to Bunda College. Under a series of projects, instructors have been trained in the US and technical assistance personnel have taught at the College. Bunda has graduated

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<sup>2</sup>The damage occurred on a stretch used by trucks moving from a sugar mill to the railhead (US Dept of Transportation, 1981:1-2).

over 1,500 students since it was founded some twenty-five years ago. Most of them have been diploma graduates, but over 300 have received BS degrees.

Available evidence suggests that these graduates have generally made a positive contribution to Malawi's development. A recent AID analysis found that most of them went to work for the Ministry of Agriculture, where they are to be found in virtually every office. The results of a small survey conducted as part of a recent AID evaluation of Bunda College are also encouraging. The survey, which questioned Government and private-sector employers of Bunda graduates, found that in general the respondents were well satisfied with the graduates' abilities. To the extent that Bunda's graduates have enabled the Malawian Government to avoid many of the serious problems that plague the agricultural sectors of other African countries, their contribution has been substantial.

It is too early to make an assessment of the advanced training funded under the third project at Bunda. Not all the trainees have returned to Malawi yet, and others have only recently returned. Those who have finished their studies abroad are teaching at the College. If the people trained by the first project are any indication of how these newly trained people will perform, then one can be optimistic. Of the original nine people trained under the first AID project in the 1960s, three are still teaching at the College, four are working in the Ministry of Agriculture, and one is working for a UN organization. (The whereabouts of the ninth person are unknown.)

As reported earlier, the secondary spin-offs from Bunda's

teaching staff have been relatively limited. Of the consulting or research that has been undertaken, most has been financed by the International Development Research Center (IDRC) or a UN organization. Given Bunda's growing underutilized capacity, a larger research budget could increase the effectiveness and impact of the investments made to date. Likewise, it could increase the quantity and quality of analyses of alternative agricultural policy options facing the Government.

The other major human capital contribution has been through AID's agricultural research projects. Twelve people were trained to the PhD level and 21 to the MS level under the first research project. As a result of the AID project with CIMMYT, five teams of Malawians were trained in Malawi to use the farming systems methodology. On-the-job training has been a component of all these projects.

It is still too early to assess the contribution made by these individuals to the national research program.<sup>3</sup> The expectation is that the training financed as part of the first research project will greatly benefit the new follow-on research project. That project has a ready pool of skilled individuals, equipment, and facilities with which the new technical assistance team can work.

#### Contribution to Social Capital

The record has been mixed regarding the contribution of AID's agricultural activities to transferring useful knowledge as well as

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<sup>3</sup>The recently appointed director of the major research station received his training under this project. In time his performance can be assessed.

increasing the institutional capacity to generate useful knowledge. One the one hand, AID has helped create a viable agricultural education institution at Bunda College. On the other hand, the initial effort to establish a more effective food crop research system in the Ministry of Agriculture's Department of Agricultural Research has not had the hoped for impact on institutional development or technological innovation. The most recent AID evaluation of the first research project concluded that little progress has been made either in transferring knowledge or in developing the capacity to create economically useful knowledge. For example, the project made little headway in developing and releasing new crop varieties or farm implements for use by smallholders. The first project also highlights the difficulty of developing an agricultural research institution. The follow-on project is expected to improve AID's contribution in the research area.

USAID/M has only recently begun its policy reform program. This program has the potential to stimulate the more efficient use of a costly agricultural input -- fertilizer. It has already identified important issues as well as gaps in knowledge about the agricultural sector on the part of both Malawians and donors.

#### Factors Influencing Impact

The factors identified in previous chapters as having an important influence on the impact of AID's efforts in Malawi fall into three broad groups: those that have generally enhanced impact; those that have generally constrained impact; and those that have had

sometimes positive and sometime negative consequences, so that their influence is difficult to predict a priori. The value of identifying and categorizing these factors is that they can have countervailing tendencies. If certain positive factors can ameliorate the effect of certain negative or potentially negative ones, then that suggests ways of increasing AID's overall contribution.

#### Factors Contributing to Impact

**Role Played by Malawians.** The role played by Malawians has been significant in a number of projects. The Administration of Bunda College was able to manage the various donors to reduce the disruptions of fluctuating levels of assistance. Malawians in the Ministry of Agriculture played a major role in designing the follow-on agricultural research project.

**Nature of Activity.** Certain kinds of activities have fared better than others. The experience in Malawi supports the general notion that road construction projects are inherently easier to design and implement than projects that seek to transfer knowledge and the ability to create new "social capital." Training people is also a relatively straightforward activity to design and manage.

**Use of Experts.** AID's use of recognized experts also helped improve its impact. For example, CIMMYT has an established record of performance in East and Southern Africa. Through its long experience, it has created a methodology suited to addressing smallholder problems in the region. Its contribution to Malawi's research program was quite cost-effective when compared with the contribution of the

University of Florida team.

USAID/M's use of the University of Massachusetts to help establish Bunda as an agricultural training institution capitalized on the strength of the US land grant institution. The subsequent project at Bunda College, which was implemented by a consulting company, did not have the same impact on Bunda's institutional development.

**Flexibility of AID.** AID revealed considerable flexibility in responding to opportunities and problems that arose during the implementation of the first research project. When the opportunity came to initiate a women's project, AID/W approved its funding even though it had not been planned for in USAID/M's budget.

The CIMMYT project is another example of AID's flexibility. As the various research projects in the region were proceeding, it became evident to the AID Regional office in Kenya, REDSO/ESA, that coordination among countries and among AID projects was poor, and that skilled expertise on farming systems methodologies was lacking. In response, REDSO/ESA developed and funded a regional project to address these issues.

AID's flexibility in these instances was possible because the Agency is composed of many parts, each essentially with its own funds and only marginal jurisdiction over any other part. The first project was funded by the office for Women in Development in AID/W, while the second was funded from the Africa Bureau's regional monies. The mission had little direct involvement in developing the women's and CIMMYT projects.

**Interaction Effect.** Interaction among the various forms of

"capital" has raised the overall contribution of each. In the case of Bunda College, the physical facilities and trained people combined with the knowledge and skills of the first technical assistance team to create the elements of a functioning institution. The technical assistance team contributed "social capital" and in the process increased the impact of the physical and human capital that AID's other assistance provided. Had the technical assistance team not been able to transfer useful knowledge, the provision of buildings and trained Malawian instructors would have had much less impact on Bunda's overall development.

In contrast, capital was provided in an unbalanced fashion in the first agricultural research project. The expected institutional improvements never materialized, and the contribution to development of the buildings, commodities, and trained people proved to be limited. The follow-on project is important because it seeks to redress the imbalance of the earlier AID effort.

#### Factors Constraining Impact

Difficulty of Institution Building. Contributing effectively to the accumulation of a country's "social capital" has proved difficult. But the fact that it is difficult is not sufficient reason to shy away from such activities, since experience throughout the world has shown that contributions to "social capital" have been the most important source of economic growth. Physical capital (land and infrastructure) and human capital (labor) account for less than half the increases in national output (Kuznets, 1971); the rest comes from "social capital."

One might argue that even though the first agricultural research project did not contribute to institutional development as was envisaged, it did contribute in another way -- by raising the awareness of the need for a major change in the organization of the national research system.

**Project Design Problems.** Various problems relating to project design have been identified. In reviewing the first research project, the evaluations noted that the design failed to specify research priorities and work plans for the project's various components. This failure is believed to have contributed, in turn, to the strained relations between the technical assistance team and Malawian staff by inflating the Malawians' expectations as to what the AID project could achieve within the scope of the five-year project.

The difficulty of improving AID's design process is underscored by the fact that even having the same US university both design and implement the research project did not avoid the problems observed in many of AID's other research projects (AID, 1982a).

Other design problems have included the underestimation of construction costs (Bunda College); the lack of clarity concerning the implementation responsibilities of the Government, the contractor, and the mission (agricultural research); and the overestimation of the availability of contractors (lakeshore road and Bunda). Assumptions regarding the availability of qualified technical assistance are discussed below.

**Time Needed to Develop a Project and AID Staff Continuity.**

Another constraint observed in Malawi is the contradiction between the

time needed to develop a project and the average time an AID official serves in a country. Both the first and second agricultural research projects took roughly four years to move from conception to the start of implementation. But the average length of time an AID staff member or contractor spends in Malawi is less than four years. Thus, the likelihood of the same individuals working on a project idea from conception through design and into implementation is low. In the case of the first agricultural research project, the Project Identification Document and the Project Paper were written by different people. In the follow-on, the USAID/M and regional AID staff and consultants who initially worked on the idea in 1982-83 were not involved when the project was finally designed in 1985.

Each new arrival has to learn what has already taken place. Unfortunately, there is often little if any direct transfer of information between individuals. Earlier contractors are seldom contacted and interviewed for their knowledge. AID personnel may not overlap; in Malawi, for example, the USAID/M agricultural officer left in the summer of 1985 but the replacement did not arrive until the end of the year. During that time the EPRP fertilizer subsidy removal program was designed and signed and the implementation of the follow-on research project begun.

AID records do not always facilitate the transfer of information either. USAID/M and AID/W project and program files cannot be relied on to present a complete picture of the rationale for past activities. This researcher found it difficult to determine the reasons for a number of important decisions from reading project files. In some

cases, the relevant files and evaluations were no longer available in Malawi or in AID/W. USAID/M's problem is complicated further by the fact that many of its records were maintained elsewhere during the second period of AID operations, when there was no mission in Malawi.

Given these deficiencies, the length of USAID/M's "institutional memory" appears to be a direct function of the length of service of the AID person who has been in the mission the longest. While some local-hire staff have been in USAID/M longer than AID staff, they are of limited usefulness in reconstructing the rationale for past mission actions because they were usually not involved in the decisionmaking process.

Availability of Qualified Technical Assistance. AID and its contractors have not always been able to fill technical assistance positions with qualified people on a timely basis. In addition to the examples provided by the first research project, the project files indicate that the second and third projects at Bunda also experienced difficulty in supplying the necessary technical assistance. In one case, the implementing contractor was changed in an attempt to overcome this problem.

This raises a question about the ability of AID to provide qualified technical assistance as specified in its projects on a timely basis. The case of USAID/M's research projects is instructive. Its first research project was approved in 1979, a time when the need for agricultural research in Africa was becoming a topical subject. By the early 1980s, AID had fourteen agricultural research projects underway in East and Southern Africa alone (AID, 1982b). The

technical assistance requirements of these research projects were substantial. An average of five technical people per research project (in Malawi there were seven) translates into 70 positions to be filled. Given that most contracts are for two years and that most projects last five years, the total requirement is 140 people. The assumption that around 60 percent of all the technical assistance people stay for a second tour implies that roughly 100 experienced agricultural research personnel were needed to work in East and Southern Africa alone. One can understand why AID's worldwide review of its agricultural research experience found this to be a serious bottleneck in over a third of the research projects reviewed (AID, 1982a:85).

The follow-on research project contains positions for nine long-term technical assistance people. Seven are supposed to have a minimum of ten years' relevant experience and the other two a minimum of five years' experience. Five of them are supposed to have PhDs and the others masters degrees. Whether it will be a problem to fill these positions with qualified people remains to be seen. In any case, since the Malawians will have a greater say in the selection of the technical assistance personnel than they did in the first research project, they will share the responsibility for compromises on the quality of technical assistance.

Implementation Problems: Procurement Regulations. It is generally difficult to attribute fault in project implementation because of the complex interaction of numerous factors. Nevertheless, one problem stands out: the difficulties associated with having to

satisfy AID's procurement regulations. Aid-tying can reduce the overall impact of AID assistance when late deliveries delay project implementation, when commodities, technology, or services are inappropriate, or when the resources could have been used more productively elsewhere. For example, some of the commodities bought in the US were unfamiliar to the Malawians who were to use them (Bunda, agricultural research projects). This shortcoming was sometimes exacerbated by the lack of any in-country knowledge about how to install the equipment or any in-country or regional support services to maintain it. Often it just takes much longer to order commodities from the US when they are readily available in Malawi or elsewhere in the region.

Aid-tying regulations are but a part of the procurement problem. In 1985 Congress decided that AID had to use the US Government's Federal Acquisition Regulations (FAR). These regulations were developed for use in the US and do not take cognizance of the difficulties of operating in developing countries. Because of these regulations, contracting procedures for obtaining technical assistance have become more complex, and the process takes longer. Although it is too early to judge, many AID people interviewed feel that this change will increase the complexity of implementation and result in further delays. The situation should be monitored closely.

Despite many frustrations, AID has made substantial progress in obtaining waivers from the aid-tying regulations and reducing the internal contradictions within the regulations. For example, AID is supposed to promote both development and the purchase of US goods and

services. However, providing US left-hand drive vehicles in right-hand drive countries caused problems in Kenya and elsewhere. As a result of that experience, region-wide waivers have been obtained and USAID/M is permitted to buy vehicles in the region. Likewise, there are a number of "off-the-shelf" rules which allow for procurement in the region.

The problems surrounding AID procurement regulations are complex and could be the subject of a separate study. A useful source of information on the various problems and their effect on AID projects is found in the summary reports turned in at AID's project implementation courses. This course is usually taken by AID project managers. At the end of it, the participants are asked to identify key problems they have encountered as a result of AID's procurement regulations. These reports are summarized and sent to the AID Administrator.

Obligation Pressures. That obligation pressures disrupt good development practice has been acknowledged since the days of President Kennedy. There is no evidence from the first two periods of AID assistance to Malawi, however, that this was a significant problem. Malawi had a low priority with the US (hence with AID). The small budget for USAID/M did not cover the identified needs, so obligating the money was not difficult.

The USAID/M program has changed since 1980, however, and obligation pressures may now become a problem in Malawi. In the design of the EPRP, obligation pressures may have contributed to formulating a program before many of the major issues were identified.

The effect this will ultimately have on relations between USAID/M and the Government is unclear. Experience elsewhere has shown that it can be negative (Dijkerman, 1986a).

#### Factors That Can Either Enhance or Constrain Impact

**Donor Coordination.** The economies possible through greater coordination of donor efforts are frequently discussed, and the importance of coordination is generally acknowledged. The follow-on research project in Malawi shows how AID and the World Bank (IDA) were able to coordinate their efforts and use the comparative funding advantages of each to create a more comprehensive program than either could have achieved alone. However, this project is just starting and the record on donor coordination elsewhere has not been encouraging.

Donor coordination is complicated by the changing comparative advantages of donors. For example, had the research project been designed in the early New Directions days, AID might not have been able to finance the training for advanced degrees because of the bias against postgraduate education. Coordination is also complicated by the different funding cycles of donors. In the case of the second research project in Malawi, USAID/M was able to delay its project development plans to coincide with the World Bank timetable. In other cases, obligation pressures within USAID/M or the World Bank have made such coordination more difficult.

**US Concerns.** That US concerns have influenced the program in Malawi, as in other countries, is indisputable. Unfortunately, it is difficult to determine a priori what effect these concerns will have.

This study as well as the other AID country studies shows that the influence of US concerns ranges from positive to neutral to negative, depending on the particular circumstances.

The experience in Malawi suggests that the lack of a US political concern for a country, or the absence of an AID-wide general development approach applicable to that country, gives the mission more flexibility in developing a program that fits the needs of the country. This describes what happened in Malawi during the first period when it was a low-priority country and when the AID-wide strategy was to focus on countries with a high development potential.

The Malawi case also confirms that it is difficult to predict which US concern will dominate the AID program in a particular country. During the 1970s the New Directions priorities dominated AID programming in most countries, yet they had no impact in Malawi, largely because US political concerns dominated the AID agenda there.

It is also difficult to predict how long a certain US concern will dominate AID's agenda. Over the years, US development concerns have shifted from Kennedy's "stages of development" model to Johnson's policy and private-sector focus, to Congress's New Directions, and then back to an emphasis on policy and the private sector under Reagan. The average length of these AID-wide general development strategies has been roughly six to seven years -- not much longer than the average length of most AID projects in Africa.<sup>4</sup>

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<sup>4</sup>Since AID has had relatively few projects in Malawi, projects from the other study countries were included to increase the size of the sample. AID has had well over 300 projects in Kenya and Tanzania between 1960 and 1984. The average length of an AID project in Kenya and Tanzania has been 9.7 and 6.1 years respectively.

An Agency-wide development strategy may have a clear impact on a mission's strategy. For example, there is a high correlation between the general strategy being pursued by AID in the 1980s and USAID/M's strategy for Malawi in this third period. However, there is no assurance that the general strategy will always be appropriate for a particular country. For example, the New Directions legislation of the 1970s was biased against infrastructure and postsecondary education. This was a more reasonable shift in emphasis for Asia and Latin America than for Africa. In 1970, Africa had only 29 scientists and engineers per million people, compared with 225 and 136 for Asia and Latin America respectively (Eicher, 1985).

Nevertheless, changes in the AID-wide general development strategy are a positive sign in the sense that they are an attempt to respond appropriately and effectively to the problems of developing countries.

## CHAPTER VI. CONCLUSIONS AND RECOMMENDATIONS

Part of the motivation for undertaking this study has been the widespread consensus that development assistance in Africa, particularly in agriculture, has performed poorly. As a result, this report seeks ways of improving the effectiveness of AID, one of the participants in Africa's past development efforts. The other MADIA donor studies have parallel objectives.

The preceding chapters have examined the environment in which AID's agricultural strategy in Malawi was shaped and its projects were selected, designed, and implemented. In this final chapter some conclusions are drawn, and these in turn lead to some recommendations that appear to have the potential for increasing the impact of AID assistance.

### Conclusions

AID has made a positive contribution to the development of Malawi's rural sector. Reasons for this go beyond the role played by AID. Other important factors have been the nature of the projects selected for funding, the role the Government of Malawi has played in designing and implementing the projects, and the relatively low level

of attention paid to Malawi by the US during the 1960s and 1970s.

This last factor enabled the Malawian Government to have more of a say in the selection of AID projects than would otherwise have been likely.<sup>1</sup>

The mission's current emphasis on agriculture could make a significant contribution to the country's agricultural sector through the establishment of an effective national research system and through changes in the pattern of fertilizer use. Areas where future USAID/M assistance would complement earlier investments are monies for research at the agricultural college and for a better understanding of the dynamics of smallholder agriculture.

AID projects have been relatively effective in adding to Malawi's infrastructure in the form of roads and buildings. Likewise, AID has been relatively effective in increasing Malawi's stock of human capital, both directly and indirectly through the training of trainers. The performance of institution-building projects to date has been mixed since problems with the "social capital" components of the projects have limited the contribution of the other components.

Within AID there are a number of reasons why the impact of some activities has been reduced, many of which AID staff are well aware of. Problems often begin with the design process. The lack of continuity among the staff or consultants who develop a project is exacerbated by the absence of a clearly defined responsibility for

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<sup>1</sup>Although this report has focused on agricultural activities, the same observation is applicable to other USAID/M activities. For example, USAID/M rural water project in the early 1980s was the result of Malawians approaching the mission with a proposal for expanding a successful local scheme over a wider area.

poor design and the lack of a useful institutional memory.

### Recommendations

The findings of this study point to aspects of AID's institutional environment that distort the performance of its development activities. Thus, several of the recommendations identify possible modifications in the institutional arrangements within AID that could improve its ability to assist development effectively.

1. AID ought to document how US concerns other than those focused on development objectives have shaped its strategies, projects, and implementation performance. If AID is to be criticized for its failures in effectively promoting development, it should also be judged for how effective it has been in satisfying other US concerns, be they domestic political or economic concerns, or whatever.

Documenting AID's role and limits under the present institutional setting can eventually result in a greater understanding of what AID can and cannot realistically be expected to achieve. For example, if a mission is unable to obtain waivers from purchasing US goods, the cost to development of satisfying the US concern for aid-tying should be estimated. Problems arising from the pressure to obligate monies should be specified in terms of both the real and goodwill costs. Given such documentation, policymakers would be able to assess the trade-offs between the various aspects of AID's mandate.

2. AID should try to improve its project design process to help ensure the design of a realistic project suitable to a particular

country's state of economic development. Mechanisms are needed for linking an individual's work on project design to future career opportunities, and for increasing the quality of the design and review process.

Several specific steps could go a long way toward improving project design. First, AID could encourage the repeated use of individuals with long-term experience and knowledge of a country. A funding mechanism could be developed whereby missions and AID/W offices could easily bring in such people. This would help to build up AID's institutional memory on a country and to smooth the discontinuities caused by the turnover of AID staff and contractors. More important, perhaps, these experienced individuals could perform a screening function, judging project ideas and strategies in light of the evolving circumstances in the country. This is a departure from the present system, which essentially reviews strategies and projects for their internal logic and conformity to AID priorities, since there are few AID staff who have both an in-depth knowledge and a current perspective on a particular country's institutions. Some missions are already bringing in country experts on an informal basis; this should be institutionalized on a broader scale.

As a complement to formalizing arrangements for tapping the country-level expertise of individuals outside AID, the Agency should consider developing a job classification of "country specialist." This would enable AID to reward staff who develop and sustain a substantial expertise in a group of countries in a region. The country specialist, who could report to the Bureau Administrator

rather than to a mission director, could objectively analyze a mission's strategy and project ideas and function as AID's internal institutional memory on a country. Such individuals could also serve as liaison officers with the outside experts noted above.

The appointment of country specialists would complement the normal rotation of AID staff. Rotation of staff from other regions and areas is useful for promoting the crossover of ideas and experiences. This could be usefully balanced, however, by the specialists's greater understanding of the local context.

3. In this time of tightening US budgets, AID should not shy away from activities that promote institutional development ("social capital") activities because they are difficult and take a long time to attain results. Neglecting such activities reduces the positive interaction effect that occurs when physical and human capital are combined with new knowledge and improved institutions.

A useful decision would be to acknowledge that not all types of institution-building projects are alike. After additional analysis, AID could devise a set of regulations for the development and implementation of institution-building projects that require long-term, steady support. The project time frame could be lengthened -- without, however, extending the length of contracts. This would facilitate a continuity of objectives over time, yet still allow for changing contractors if serious difficulties arise. AID's recent decision to allow agricultural research projects to be extended from five to ten years is an encouraging step in this direction. Another encouraging development is AID's 1982 policy of allowing the financing

of recurrent costs on a declining scale for up to ten years after the formal project completion date (AID, 1982c.19). This could be useful for agricultural research projects, since it may take a long time before a recipient country sees visible results. The additional assistance could strengthen a country's resolve to undertake such a long-term investment.

4. AID should continue to seek waivers that will ease the difficulties caused by the current implementation regulations. To this end, the recommendations made by AID employees attending project implementation courses ought to be examined closely. People working with the regulations have a comparative advantage in identifying troublesome procedural constraints.

6. Finally, AID should try to capitalize on and develop those institutions in the recipient country that can increase the recipient country's involvement in the selection, design, and implementation of AID projects. The involvement of Malawians contributed much to the positive performance of the AID program in Malawi. This suggests that AID would also do well to support activities that build up a government's capacity to work with AID more effectively. Improving the government's ability to collect and analyze information and formulate policies is therefore a good investment. In time, the government will become more adept at assessing AID's current approach to development and identifying those elements that fit best with its own social, political, and economic priorities. If AID has difficulty in developing and maintaining a country-level institutional memory, it can at least try to expand the government's institutional ability.

More knowledgeable AID counterparts can help to minimize the  
distorting elements of AID's present operating system.

Adopting these recommendations should introduce a new measure of  
realism into the way AID assists the development process in Malawi and  
elsewhere.

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Annex A

Statistical Tables.

ANNEX A, TABLE A-1. US ASSISTANCE TO MALAWI, 1963-84, IN CONSTANT DOLLARS.

SECTOR/Sub-Sector	TOTAL	1963-66	1967-70	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984		
									in percent										
A.I.D. PROJECT & PROGRAM ASSISTANCE	77	40	65	17	20	96	32	96	71	79	33	86	74	63	89	88	79		
AGRICULTURE	13	9	10	0	9	2	0	0	69	76	-3	75	21	20	25	0	0		
of which:																			
Crop Production	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Storage & Processing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Input Supply	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Credit	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Research	5	0	0	0	0	0	0	0	0	0	0	57	28	28	25	0	0		
Extension	4	9	10	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Education & Training	4	0	0	0	9	2	0	0	69	76	-3	18	0	0	0	0	0		
Planning & Management	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Irrigation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Marketing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Livestock	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Forestry	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Fisheries	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
RURAL DEVELOPMENT, excluding agri.	44	7	26	0	-1	82	0	95	0	0	0	9	21	20	33	54	54		
of which:																			
Infrastructure	36	4	24	0	1	82	0	95	0	0	0	0	0	0	0	0	23		
Health & Population	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Education	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Water Supply	3	0	0	0	0	0	0	0	0	0	0	0	12	18	33	9	0		
Community Development	2	1	1	0	0	0	0	0	0	0	0	9	9	2	0	10	5		
Industry	3	2	0	0	-1	0	0	0	0	0	0	0	0	0	0	35	27		
ALL OTHER A.I.D.	19	25	29	17	11	12	32	0	2	3	36	2	26	14	31	34	25		
PL 400 FOOD AID	6	0	1	17	50	3	23	3	19	21	67	5	19	31	1	2	13		
OTHER ECONOMIC ASSISTANCE (1)	17	60	34	67	22	2	46	1	10	0	0	9	7	6	10	10	8		
GRAND TOTAL	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100		

(1) not elsewhere specified

Sources: calculated from:

AID, W-253 Reports, selected years.

AID, CONG-R-0105 Reports, selected years.





## Annex B.

### SCHEMATIC HISTORY OF AID POLICY AND STRATEGY IN AFRICA

The involvement of AID and its predecessor agencies in sub-Saharan Africa must be understood in the context of United States foreign policy interests and dominant paradigms of development. These have varied during the years since the second World War, as has the thrust and content of American development assistance to Africa. Indeed one of the most striking characteristics of American assistance to African agriculture has been instability. There has been a lack of continuity in country focus, program size, development policy, strategy, bilateral or regional organization of assistance, modes of programming (projects and sector loan), and target groups. Nor has there been continuity in support for agricultural production, higher agricultural education, institution building in general, infrastructure and major capital projects, or agricultural research.

The effects of this instability on AID as an organization, the way it operates and the impact of its programs are traced in the following chapters of this report.

This annex provides a schematic summary of the major shifts in United States foreign and development policy as they have affected African assistance. For heuristic purposes the discussion is organized in terms of presidential administrations. The history of American assistance to Africa is far more complex than this brief outline suggests.

#### The Truman Years - 1945-1953

The basic paradigm for American foreign assistance crystallized in the Truman years with the success of the Marshall plan which seemed to demonstrate how aid could secure the political health of a region, help ordinary people, and promote US commercial interests in a relatively short time frame.

In a more general sense the development paradigm that has informed foreign assistance is based on a rather ethnocentric interpretation of a particular historical process, the emergence of capitalism, and the industrial revolution in Western Europe. According to this interpretation, development is not merely an economic phenomenon; instead, it requires a far-reaching and fundamental transformation of society from "traditional" forms which constrain economic growth to "modern" forms which promote it and which resemble our own. The process of "modernization" entails the progressive erosion of traditional values, institutions, and practices and their replacement by those that are more rational, scientific, and efficient. In the early post war years of foreign assistance it was widely assumed that the process of modernization would be easy, rapid

and could be triggered by an infusion of Western technology and American know how, and, as something of an afterthought, by the installation of American democratic and participatory principles by means of community development.

Encouraged by the success of the Marshall Plan, American involvement in foreign assistance spread rapidly. In 1947 the United States assumed the responsibility of "stopping communism" in Greece and Turkey, and over the next two years the model was extended to East and Southeast Asia through the new Economic Co-operation Administration. By 1950 Truman's "Point Four" program had been established through the Act for International Development, and by 1959 the United States was aiding sixty countries.

The Point Four program, subsumed under the Mutual Security Act of 1951 after the outbreak of the Korean war, had little impact on Africa during Truman's administration, though assistance was given to British and French territories through the colonial powers.

#### The Eisenhower Years - 1954-1961

During the Eisenhower years foreign assistance was characterized by a strong concern with security. There was increasing criticism of the effectiveness of aid and a number of legislative and administrative responses leading most significantly to the emergence of the Development Loan Fund.

The Cold War cast its shadow over American assistance to Africa. There are numerous references to potential Communist influence in Africa throughout ICA programming documents during this period.<sup>1</sup> The few activities the United States undertook in sub-Saharan Africa during this period were managed by a "desk" in the Europe bureau of the International Cooperation Agency.

Early American interests in sub-Saharan Africa were shaped by the British presence on the continent. Assistance grew as a number of British dependencies moved toward independence because it was expected that "British assistance... (to its territories would) not be available at... current levels following independence."<sup>2</sup> Thus the US stepped in to insure a peaceful transition to governments oriented to the Western point of view. Noticeably absent in the documents of this period are comments pertaining to French-speaking areas of Africa.

During this period technical assistance to Africa was still informed by the conviction that the US knew what had to be done, and that the assistance effort was only temporary, requiring annual approval for its continuation. It was also assumed uncritically that

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1. For example ICA, 1957:195; ICA, 1960:83.

2. ICA, 1957:195.

available technologies were appropriate to African conditions and that they would diffuse rapidly if seeded through agricultural extension services.

### The Kennedy Years - 1961-1963

The Kennedy years saw an emphasis on pursuing political security and mutually beneficial economic growth through new developmental initiatives that would foster economic "take-off." The effort was given new impetus in 1961 with the passage of the Foreign Assistance Act establishing the Agency for International Development, which combined and supplanted the ICA and the Development Loan Fund.

Other organizational changes were also made, including the creation of functionally specific funding categories. Among them are development loans and grants for long-range economic and social development, supporting assistance for "urgent strategic and political requirements," and contributions to multilateral organizations (AID, 1961:19). Four regional bureaus were also created, including one for Africa. The large technical offices, such as the Food and Agriculture office, were separated amongst the bureaus.

Two significant operational changes were also made. One was the creation of "no-year funding" category. This was intended to correct the several "major disadvantages" of annual funding levels, particularly "the pressure on AID personnel to enter into hasty obligations of funds prior to the end of the fiscal year or face the loss of funds, with future funding in subsequent fiscal years being uncertain" (AID, 1962b:19). No-year funding was also intended to reduce the significance of any particular annual aid level as a sign of United States political approval. Lastly, it was hoped that no-year money would enable AID and recipient country officials to negotiate projects and programs in "good faith."

The other operational change was the creation of a research budget to be used to address issues of world-wide development importance. Agricultural research was one of several topics addressed.

The Kennedy administration was faced with growing concern over the economic effects of foreign aid on the US economy. The central issue was the effect of aid on the US balance of payments, trade and competition. Since foreign aid was not a good whose supply and demand is regulated by the market, a political equilibrium had to be sought.

In response to this problem procurement was increasingly tied to US sources. Already in 1959, about 47 percent of ICA monies had been spent in the US. By FY 1962, tied aid had risen to 73 percent of obligations, and was projected to increase further (AID, 1962:47-8).

In Africa the administration identified an urgent need to assist with the "long-range process of nation building" (AID, 1962:145) in

the newly independent nations. Continuing concern with East- West relations is evident in AID program documents, which noted that: "the African peoples are preoccupied with their own problems and are not as aware of or concerned about the conflict between the free world and the Communist bloc as ... (the US) might wish. Nor do they always have a full understanding of the real nature and the crucial seriousness of this conflict" (AID, 1962:145). American assistance, it was argued, would help them stay free from other influences until they became aware of the political situation.

Countries were divided into three categories, which determined the type and magnitude of assistance they received. The first group included nations which had most of the "prerequisites for development other than adequate external assistance" (AID, 1962:146). These "prerequisites" were a public administration which was relatively well advanced or a strong nucleus thereof and long-term prospects for political stability. Also by implication, the country's planning capability was rated to be adequate. Countries in this category "would generally receive priority attention in the allocation of US development assistance" (AID, 1962:146). Under these criteria, Tanzania and Nigeria were judged to be qualified and were given access to flexible no-year money.

Countries in the second category lacked some of the prerequisites for development, including adequate leadership, trained manpower, and planning capability. US "assurances of financial assistance over an extended period of time would be considered premature" for these countries (AID, 1962:146). Assistance would be directed in areas where the country itself was making an effort. It could also be directed to manpower and basic economic facilities.

The third category consisted of "newly independent countries and dependent territories which are not likely to reach a point of becoming self-sustaining for some time to come" (AID, 1962:147). Aid to these countries would have to be flexible, experimental in nature, and unlikely to create an obligation for increased support by the US or other aid donors.

During the Kennedy years AID bilateral programs thus expanded exponentially. By 1965 the Agency had missions and programs in the great majority of the newly independent sub-Saharan nations.

The dominant development paradigm retained its emphasis on the extension of existing technologies. The transfer and extension of US agricultural technology continued to be the dominant manner by which the rural sector could be made to contribute more to development. The assumption of the relevance of the available technology to the situations existing in the developing countries was only beginning to be questioned.

At the same time the development paradigm was broadened and further articulated, however, by a line of reasoning developed in the

work of W.W. Rostow in his influential writings on the "stages of development." Rostow himself was part of the Kennedy Administration in the Department of State, of which AID was a part. His work suggested specific objectives concerning what had to be done to achieve development, and presented targets and a rough time-table by which this could take place. Rostow's assessment of the nature of development helped to sustain the optimistic belief among Americans and Africans alike that it would take about ten years to self-sustained "take-off" in Africa.

Although there is not necessarily a bias against agriculture in Rostow's thesis, his emphasis on increased savings, investment and productivity through industrialization may have led to the neglect of the role of agriculture. Taxing agriculture to finance industrialization, a pattern already established in Africa, was encouraged under this approach.

The Roscowian ethos also appears to have reinforced the bias of many African leaders and planners in favor of capital-intensive agricultural development.

Agricultural research received little support, not only because of the optimistic extension bias already noted, but also because AID personnel believed that funding research would violate the spirit of AID's restriction on supporting food grain production that would conflict with US interests.

AID did, however, try to strengthen higher education, including agricultural education, and to foster cooperation and coordination at the sub-regional level.

#### The Johnson Years - 1964-1967

Shifts in AID's African assistance program during the Johnson years reflected growing scepticism concerning aid effectiveness, as well as increasing priority and cost of the Vietnam war.

The traditional security arguments for giving assistance to Africa remained essentially unchanged. AID documents from the period note that: "Communist attempts to gain footholds in Africa continued in 1965... but suffered setbacks" (AID, 1966:184). The following year AID documents claim that the "Soviet bloc and Chinese Communists are making a determined bid for influence in East Africa" (AID, 1967:265). Other references to the communist threat are scattered throughout AID budget requests to Congress (AID, 1965:180, 183; AID 1965b:191); but the argument appears to have lost some of its influence with the Congress in light of the events in Vietnam. The undeclared war's increasingly large fiscal demands and AID's growing association with the CIA and public safety programs also were undermining AID's public image.

During the first half of the Johnson period there was little change in AID's African strategy. But as the Vietnam war became an increasing burden on the US government budget, AID felt its fiscal impact. The central question was how foreign aid could be made more effective. The administration's response to these concerns were two major changes in the way AID was to operate. The first change, the introduction of program loans, was AID-wide. The second, retrenchment to fewer bilateral programs complemented by regional and multilateral modalities, was specific to Africa.

The introduction of "program loans" in 1965 was intended to increase the effectiveness of AID without increasing funding levels. Donor policies and funding biases had been creating problems for aid recipients. The "preference of many aid donors for financing specific large projects..(had) reinforced the tendency in many less developed countries to over-emphasize large-scale public sector projects and to neglect small investment and the private sector" (AID, 1965:19). Program loans would correct this tendency, it was hoped, by "providing incentive for major improvement in self-help...reforms and improved development policies... (they also) provide the logical opportunity for review and agreement on the countries' general economic policies, often in conjunction with the IMF and IBRD" (AID, 1965:20). Initially the focus of the discussion was centered on the Near East, Asia, and Latin America, rather than Africa.

The following year AID presented a more comprehensive statement of its change in emphasis to Congress. Its major components were greater emphasis on policy formulation, promotion of the private sector, institution building, and technology.

In AID's view small farmers were becoming more "rational." AID noted that Agriculture was "the largest private sector in the less developed world... (and that) no farmer (would) adopt new technology unless (conditions made it) rational for him to do so" (AID, 1966:14-15). AID proposed to address this problem by providing and training experts to help create good policies for farm progress. Amongst the elements considered essential for success were land reform and credit.

It was argued that "By making (program) loans conditional on adoption of more liberal policies, AID (could) double their ... effect" (AID, 1966:29). Once again, the US knew what the problems were and knew how to solve them. US technology was still perceived to be appropriate, but it had now been discovered that it was the poor policy environment which was preventing large-scale adoption of improved techniques.

In FY 1967, about one-third of AID's agricultural assistance supported this program loan concept by financing fertilizer exports, American equipment, and engineering skills to build plant capacity in the countries themselves (AID, 1966:19).

The American private sector was involved through an expansion of the investment guarantee program. Cooley loans (based on P.L. 480 currency generation) and investment survey programs were already available. The report by the Advisory Committee on Private Sector Investment in Foreign Aid (August 1965) helped formulate this policy thrust. AID also supported and encouraged non-governmental organizations to expand their development activities (AID, 1966:33).

AID also gave "(i)ncreased assistance...to help create or expand extension systems, cooperative and farm credit associations, agricultural training schools, marketing outlets, and rural transport systems" through greater involvement of land grant colleges, crop associations, and specialized federal agencies.

In part this was an attempt to broaden the base of support for foreign aid. The strategy was not an unqualified success. Agricultural research assistance remained a small component, perhaps, as one study suggests, because the administration was still grappling with periodic problems of surplus production at home.<sup>3</sup>

The institutional development of agricultural colleges in Africa was less controversial than was directly productive research. In any case the development impact of such an approach on production would be long in coming, thus less threatening to US interest groups.<sup>4</sup>

The second major change in AID's activities in Africa were based on the recommendations of a report by Ambassador Edward Korry, commissioned by President Johnson. The report, which is still classified, recommended three main changes in US assistance policy for Africa:

- A shift towards a multi-lateral and regional framework. Multilateral organizations would take the lead and AID would fill in with specific activities (AID, 1967b:3).
- Substantive emphasis on education and training, food, population, health, private sector, and physical infrastructure.

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3. This stance reflected the position of Congress, the American public and American farm organizations (World Food and Nutrition Study, 1978:95).

4. Although Johnson suggested the restriction against supporting agricultural research be lifted in 1966, it was not until 1968 that the policy was officially changed (World 1977:96). Pray and Ruttan (1985:5-5) cite others as noting that by this time AID had lost the few people who had any experience with agricultural research and Congress still continued with some constraints on funding for research.

- A change in AID's organizational structure in Africa. Only ten of the thirty-three missions and field offices were allowed to stay in operation. The remaining twenty-two were phased out as currently underway projects were completed. AID would "make no new bilateral development loan or technical cooperation starts ("new projects") in these countries" (AID, 1967b:261).

#### The Nixon-Ford Years - 1968-1975

During the first years of this period the foreign aid program was confronted by increasing criticism in the Congress. Its support eroded badly. The foreign assistance bill was defeated in 1971 and the program survived by slim margins on continuing resolutions until the passage of the New Directions legislation in 1973.

Disillusionment with AID's effectiveness was based in part on a growing body of studies showing that lower income groups were not benefiting from economic development efforts. Unhappiness with the conduct of the Vietnam war and the status of the Nixon administration were undoubtedly also contributing factors.

The substantive changes introduced by the New Directions legislation in 1973 included: a greater emphasis on project aid directly targeted on low income groups; an emphasis on greater participation of intended beneficiaries in identifying their needs, designing solutions and evaluating results; and the redefinition of authorization and appropriation categories as functional sectors (food and agriculture, health and population, and education and human resources). The legislation also had the effect of greatly reducing support for agricultural research, higher education, infrastructure and large capital projects.<sup>5</sup> The unfortunate impact of this interpretation on African programs will be discussed at greater length in Chapter IV.

AID's task of coping with the major policy shifts of the New Directions legislation were exacerbated by a number of personnel and management changes which had also been set in motion by Congressional unhappiness with AID performance and AID's role in Vietnam. The most important of these were:

- A reduction in AID's workforce and operating budget;
- A deliberate decision to retain and recruit development "generalists" as direct-hire employees and to hire experts and technicians as needed on fixed-term contracts. AID thus suffered attrition and aging in the ranks of its economists,

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<sup>5</sup> The reasons for this change and the actual extent of its effect are complex and will need to be explored further in the final report.

- A deliberate decision to retain and recruit development "generalists" as direct-hire employees and to hire experts and technicians as needed on fixed-term contracts. AID thus suffered attrition and aging in the ranks of its economists, agriculturalists and in many other fields;

- Changes in the way AID managed its program cycle that had the net effect of greatly centralizing control in Washington. The amount of bureaucratic paper work was increased exponentially by introducing a three-tiered system of complex and detailed project documentation and a more time-consuming and repetitious system of project review. The effects of these changes are discussed in Chapter V.

At the same time that AID was being stretched thin by the need to increase its "bureaucratic productivity" with reduced personnel resources, unforeseen circumstances led it to quietly abandon the policy of retrenchment it had adopted in response to the Korry Report. With the growth of assistance in the aftermath of the Sahelian drought in the early seventies, the regional approach was gradually replaced once again by a steadily increasing number of bilateral programs and missions. The combination of rapid expansion in country coverage, seemingly unworkable new policy guidelines and a reduced workforce did little to improve the morale of its employees or the integrity of its work.

#### The Carter Years - 1976-1979

There were no dramatic developments in AID's African program during the Carter years. The administration and the Congress continued to support the New Directions policies with somewhat more emphasis on human rights and some hair-splitting rhetoric on the "meaning of basic human needs." Modifications in PL 480 (Title III) enabled AID to program food aid for up to five years and convert the loan into a grant if agreed-upon policy reforms were made by the recipient government.

Initially AID's budget increased moderately, the number of full missions in Africa continued to increase and personnel ceilings in the field began to creep upwards in grudging recognition by the State Department that small, targeted projects were labor intensive. AID staff in Kenya and Tanzania, for example, which had declined by 53% and 22%, respectively, as a result of the Korry report, had grown by 65% and 43% by 1979. By the end of the Carter years, however, the US Government's fiscal health was becoming a major national issue. The planned expansion of foreign assistance was checked and the theme in Congress and AID/Washington was to "do more with less." Tighter money and personnel levels were being planned.

Tension between AID/Washington and the field continued to engender bureaucratic maneuvering, as the missions sought and attained an increased delegation of project approval authority, while

Washington added new country-level analytical reporting requirements and review procedures.

Towards the end of the Carter years the limitations of New Directions projects, problems of project proliferation, recurrent costs and excessive state control of markets and input supplies, and the looming economic crisis brought on by structural adjustment, world economic recession, and the renewal of the cold war all harbingered the changes that were to come to AID under the Reagan administration.<sup>6</sup>

#### The Reagan Years - 1980-present

In several important respects the Reagan years have seen AID return to earlier approaches to assisting Africa. Leadership in foreign aid has shifted once again from Congress to the White House. There is renewed concern with the spread of Communism, the role of private enterprise, and the development of trade and commercial links between the United States and the developing nations. Once again, AID is giving program loans in hopes of obtaining policy reforms from African governments. Institution building, particularly in terms of agricultural research and higher agricultural education are once again in favor.

The rationale for these changes was familiar. Against the background of concern with growing fiscal problems at home and skepticism about foreign aid, the Administration developed a "new" initiative to increase the effectiveness of AID. The "do more with less" theme, started under Carter, was modified to "we can do more with less because a different approach will be pursued." New Directions lost favor as the dominant philosophy, supplanted by policy dialogue, private sector initiatives, technological transfer and institution building.

To a considerable extent AID's "new" approach, however correct it may ultimately prove to be, was born of necessity. With personnel levels cut back still further, the Agency could not continue its labor-intensive targeted project approach. Focusing on policy reforms through non-project assistance (similar to "program loans" of an earlier period) would enable AID to concentrate its remaining technical resources on macro-economic problems of developing countries. The expected policy improvements would create an environment more conducive to private sector investment, hence development. Technology transfer and institution building would enable this process to proceed more rapidly and efficiently. Money

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<sup>6</sup> The need for increased spending on agricultural research and higher agricultural education, and for policy changes by African governments were becoming recognized to some extent even before the Reagan administration took office.

has been shifted into the faster disbursing Economic Support Fund (ESF) account to increase the flexibility of the US to respond to these needs. It would also make it more responsive to any political needs.

This shift from "project" to "program" aid also coincided with the growing recognition by the donor community of absorptive capacity and recurrent cost problems, particularly in Africa. Here the fast disbursing nature of ESF would address the short-term fiscal needs of the recipient, show US support, and maintain aid levels with fewer personnel.