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The Impact of Structural Adjustment Programmes (SAPs) on Manufacturing Growth in Malawi

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Abbreviations and Acronyms

ADMARC   Agricultural Development and Marketing Corporation

ASAC   Agriculture Sector Adjustment Credit (agriculture

BOP   Balance of Payment

ESAF   Enhanced Structural Adjustment Facility

FCDA   Foreign Currency Denominated Accounts

FINCOM   Financial Company of Malawi

FRDP   Financial Restructuring and Deregulation Programme

GDP   Gross Domestic Product

IFI   International Financial Institution

IMF   International Monetary Fund

ISI   Import Substitution Strategy

INDE Bank   Investment Development Bank

NIC(s)   Newly Industrialising Country(s)

NBFI(s)   Non Bank Financial Institution (s)

NRDP   National Rural Development Programme

RBM   Reserve Bank of Malawi

SAL(s)   Structural Adjustment Loan(s)

SAP(s)   Structural adjustment Programme(s)

WB   World Bank

Dedication

This Dissertation is dedicated to my beloved mother, Nyamzia. I know she can not understand the technicalities of the economic language I talk, but she always bubbles with joy at what the Lord has done for her through me. She is counted in the society because of me her son. She is the silent encouragement that keeps telling me I have the potential to achieve more. I wish I had so much gold and silver to thank you with, mama. May God always meet you at the point of your need, mama. If all women were like you, there would be no marriage breakages- Kupilira muli kukumanya.

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Abstract

Malawi has been implementing structural adjustment reforms since 1981 in search of a way to revive its declining economic growth triggered by the oil shocks and general world economic recession of the mid and late 1970's. These structural reforms were meant to liberalise the economy, broaden and diversify the production base towards non-primary products and allocate resources more productively. Since the theory of Structural Adjustment Programmes (SAPs) has industrial growth, manufacturing in particular, at the centre of its argument for reviving economic growth, this paper primarily aims at establishing whether or not the claim that structural adjustments lead to manufacturing growth has been applicable to Malawi.

This study has found out that SAPs have not significantly assisted in improving industrial growth in Malawi as evidenced by manufacturing growth volatilities and a declining average annual growth of 4% during the SAP implementation period compared to 6% annual growth before SAPs. However, though not much significant, there has been a shift in production from agriculture to manufacturing as was the thrust of the structural adjustment. The manufacturing sector's share of GDP has been rising over the SAP implementation period while that of agriculture has been declining giving hope for a move towards industrialisation. The structural adjustments have helped to reduce the share of agriculture in GDP from 46% before SAPs to 41% in the SAP period while increasing the share of manufacturing industry from 16% to 23%.

Despite this economy shift towards the industrial sector, however, GDP growth has been both volatile and declining averaging only 2.5% per annum during the entire SAP implementation period unlike the vibrant 6% per annum before SAPs. This only shows how much little effect the SAPs have had in reversing the declining economic growth trend of the Malawi economy with much of the growth still largely dependent on the agricultural sector. Malawi has continued to produce more and more volumes of agricultural produce for exports and yet due to declining terms of trade, the export values have been very small to assist in bringing the economy back on track.

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The study further reveals that despite the SAPs having assisted in improving manufacturing growth in Malawi, the sector's growth has been characterised with incessant volatilities especially in the later part of the 1990's when Malawi's traditional donors were withholding economic reform funds due to the government's failure to meet key economic stabilisation targets of low inflation, low interest rates and prudential spending. Malawi, being an agrarian economy dependent on external factors like climatic changes and international terms of trade, already faces volatilities in the availability of foreign exchange at various times of the year. This has in turn led to volatilities in the exchange rates, inflation levels, interest rates and GDP growth rates making sustainable manufacturing industry growth difficult.

The study then, amongst others, recommends that Malawi needs to continue to fully implement economic reforms that are aimed at macroeconomic stability and promotion of industrial sector such as the formulation of an industrial policy separate from the Trade policy which can help to shape the course and pace of industrialisation in Malawi. Further, in order to draw meaningful government interventions and sound implementation of SAPs, it is important to conduct a micro-level study on manufacturing firms so as to find out how SAPs have so far impacted on manufacturing firm's technical efficiency, capacity utilisation, allocative efficiency, market attaining distributive efficiency, and labour efficiency. Such a study would help in identifying if SAPs have been on the right track in helping to achieve their other main purpose of economic efficiency in the manufacturing sector.

The Impact of Structural Adjustment Programmes (SAPs) on Manufacturing Growth in Malawi

1. Introduction

Malawi, like most developing countries, has been groping with problems of internal and external imbalances in the economy starting around the early 1970's. The phasing in of structural adjustment in Malawi in the 1980's and the fiscal restructuring reforms in the mid 1990's had its thrust in changing the structure of the economy from reliance on a few agricultural crops to a diversified tradable agricultural base and a robust industrial sector. This was strongly viewed as a sustainable way of achieving economic growth. More importantly, this adjustment was in response to the vulnerability of the primary commodity economy on the world market due to the products' declining terms of trade. The country, with the assistance of the International Monetary Fund and World Bank, implemented economic stabilisation and structural reforms. The IMF stabilisation policies aimed at restoring external sector balances through exchange rate management reforms and balance of payment support through Stabilisation Adjustment Loans (SALs). On the other hand, the World Bank provided development and reconstruction funds through Structural Adjustment Programmes (SAPs) loans and the Fiscal Restructuring and Deregulation Programmes (FRDP) (Malawi Government, 1999). These structural reforms were meant to liberalise the economy, broaden and diversify the production base and allocate resources more productively.

Since the IMF and World Bank would usually work hand in hand in administering the reforms, this paper uses the term SAP to incorporate both structural adjustment programmes and stabilisation policies. SAPs in this study, therefore, should be understood as programmes which are aimed at addressing structural rigidities or weaknesses of an economy by altering the structure of Gross Domestic Product (GDP) from predominantly agriculture to industrial production. In this light, this study will attempt to assess the impact of SAPs on industrial growth in one of the Central African countries that has implemented SAPs over a long period of time – Malawi. However, due to limitations on microeconomic level data in Malawi, the study is focused on the impact of SAPs on the aggregated (macro) level only.

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2. Rationale for the Study and Methodology

The theory of SAPs has industrial growth, particularly manufacturing, at the centre of its argument for economic growth (Harvey, 1991). Thus, while some can assess the impact of SAPs on many other economic segments, such an assessment would be partial if industry were left out. In making a fair assessment of the impact of SAPs on the Malawi economy, therefore, this paper primarily aims at establishing whether SAPs led to manufacturing growth in Malawi. In the context of Malawi still being an agrarian economy, the study firstly assesses the extent to which Structural Adjustment Programmes (SAPs) have managed to change the structure of the Malawian economy from a predominantly agricultural economy to a growing industrial economy. If SAPs have worked, it should firstly be empirically demonstrable that there has been a shift in the GDP composition between these two sectors, with more contribution from manufacturing industry than from agriculture. Secondly, the study will look at whether the manufacturing growth, if any, has been sustained over longer periods to justify the continued implementation of economic reforms towards industrial sector growth. By comparing the before (1960-1980) and after SAP (1981-1998) [1] implementation periods, this paper develops a causal and effect link between the SAPs and the industrial growth levels. Lensink (1996) indicates that this is the most frequently used method in evaluating the impact of the SAPs by the International Monetary Fund (IMF) and World Bank. The method is basically a comparison of several macroeconomic variables of a country during the period before and after the implementation of the SAPs. However, in Malawi like in most Sub-Saharan African countries, there are problems in separating the impact of SAPs from that of other factors which may equally influence industrial growth such as investment and savings levels, inflows of aid, terms of trade, stabilisation factors, droughts, bargaining power of government and the government's conviction towards reform. Methodological problems of measuring programme effectiveness are severe when it comes to comparing different countries' experiences. Basically, countries do not implement adjustment measures at random, but in response to their particular political and

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[1] For purposes of this study, the before and after SAP periods have been determined in line with the World Development Indicators data time period which spans from 1960 to 1998 and provides the basic data for this study. The after SAP period begins from 1981 because that's the year the first SAP was offered to Malawi by the World Bank.

economic circumstances. Carbo and Rojas (1992) reviewed the various approaches to estimating the effectiveness of reform programmes and found that simple before/after comparisons over short periods are likely to understate programme effects. However, the factors in question are very much related to SAPs as they are the very macroeconomic variables that economic reforms under SAPs target. In this regard, the paper also analyses the role of these other factors on industrial growth.

However, this study takes into account the fact that structural transformation from agriculture to industry is a process that takes a long time to be achieved. There are examples of developed countries like Belgium where agricultural labour force had to take 101 years to drop from 51% of the total in 1846 to 12.5% by 1947 (Malawi Government, 1999, p.15). This simply underscores the fact that achieving structural change from agrarian to a robust industrial economy takes quite a long time.

The specific objectives of the study, therefore, are the following:

- To find out if there has been a significant shift in the structure of the Malawi economy from a predominant agrarian economy towards industrialisation (with special focus on the manufacturing industry)
- To find out if economic reforms have improved manufacturing industry's growth and whether the manufacturing growth has been sustained during the whole period of the SAP implementation (sustainable growth)
- To find out if the shift (manufacturing industry growth) has been coupled with increased economic growth in terms of Gross Domestic Product (GDP) growth.

3. Literature Review

In order to make any meaningful analysis of the impact of SAPs on industrial growth in Malawi, it becomes important to put into context various theories that justify SAPs and empirical evidence on the impact that SAPs may have/had on industrial growth especially in those countries that have implemented SAPs. Coupled with this, is the need to put into context the historical background on why Malawi, like most developing countries, has for a long time been involved in production of primary

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commodities and have later sought to move towards manufacturing industry promotion. Further, an attempt is made to determine the theoretical and empirical basis for having the thrust of SAPs centred on industrialisation especially manufacturing.

The origins of most developing economies' structural weaknesses, though partially being due to domestic policies later, can have their origins traced as far back as the colonial times before the 1970's when developing countries were used as sources of raw materials (primary products) to fuel industrialisation in the now developed world (Ross 1999). Szeftel (1987) points out that overproduction in the 1960's in industrial countries meant a rising need for raw materials (primary products) from third world countries. However, the good economic performance of the industrialised world also meant increased foreign earnings for third world countries which used them to finance social investment programmes and even ambitious industrial growth policies making them blind towards their economies' structural weaknesses.

Before the 1980's, the growth of primary commodity-relying developing economies, was being determined almost exclusively by the pattern of production and consumption within capitalist Europe and America. This has created distorted developing economies that are left with no choice but to fit with the demands of the world market which are not always compatible with the countries development demands, hence depriving the developing economies of the capacity for a self-sustaining growth which is a pre-condition to development (Rodney, p.314). In short, Rodney is arguing against the international division of labour which though in line with the comparative advantage theory of trade has ended up condemning not only Africa but most developing countries. Primary commodities are not only facing declining terms of trade but also that their continued production is neither conducive to the development of technological skills nor to invention of advanced machinery (a strong characteristic of western industrialised countries) which are a precondition to real economic development. The proceeds from such primary commodity trade are hence becoming constantly insufficient to cater for the ever growing social-economic needs of developing countries. Just like the division of labour, this declining terms of trade (unequal exchange of products) has been forced on developing countries. For

example, in 1939 with the same quantity of primary goods, colonies could buy only 60% of manufactured goods which they bought in the decade 1870-80 before colonial rule (Rodney, p.175). By 1960, the amount of European manufactured goods purchasable by the same quantity of African raw materials had fallen still further. Yet developed countries themselves sold certain raw materials like timber and wheat at much higher prices than those offered to similar colony products which ought to have been more expensive considering transport costs.

The declining terms of trade for primary products have prompted most analyses which in one way or another addressed what has become known as 'Prebisch-Singer hypothesis' which was first formulated by Prebisch (1950) and Singer (1950). The Prebisch-Singer hypothesis predicts a long-term decline in the commodity terms of trade i.e. decline in the world price of primary commodities relative to that of manufactured goods. One possible reason for such a decline could be lower income elasticities of demand as a result of tastes and substitution towards synthetic materials. Most analysts have found the hypothesis as holding true. Such analysts include Greenway and Bleaney (1993) who, using the IMF's International Financial statistics and the United Nations' Monthly Bulletin of statistics, found that the average deterioration in the relative price is estimated to be around 0.7 to 0.8 percent per annum. Similarly, Lutz (1996), Reinhart and Wickham (1994) also found strong evidence of annual downward movements in the commodity terms of trade (as shown in **Table 3 below**). In Table 3 below the line graph, **Cff**, is the commodity terms of trade which represents the weighted price of primary products minus the weighted price of manufactured products.

Table 1: World Commodity Terms of Trade
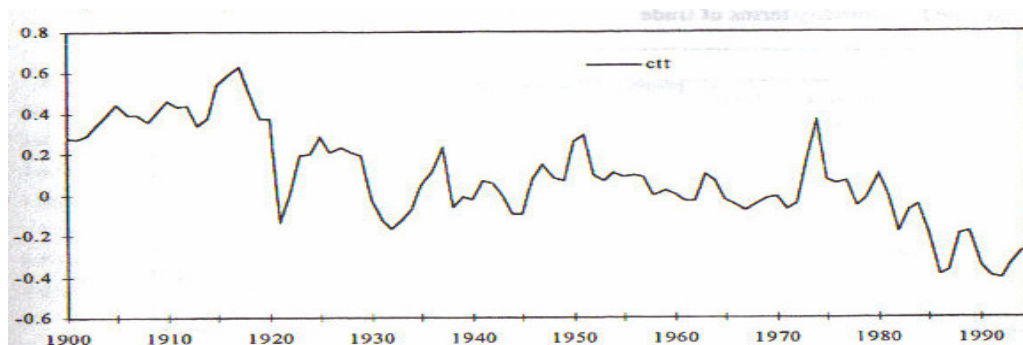
Source: Lutz (1996), p.13

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A lot of historical and empirical evidence available suggests a close link between growth of Gross Domestic Products (GDP) and the degree of industrialisation especially manufacturing industry. Most of the fast growing economies like the Newly Industrialising Countries (NICs) of South Korea, Singapore, Taiwan and Thailand have had the share of industry in the GDP rising very rapidly.

Nicholas Kaldor (see Thirwall, 2002, p.41), proposed three laws that have been empirically tested to be true which explain why manufacturing industrial growth induces growth more than the other non-industrial sectors. The first law is that there exists a strong causal relation between the growth of manufacturing output and the growth of GDP. The second law states that there exists a strong positive causal relationship between growth of manufacturing output and growth of productivity in manufacturing as a result of static and dynamic returns to scale (also known as Verdoon's Law). The third states that there exists a strong positive causal relation between the rates at which the manufacturing sector expands and the growth of productivity outside the manufacturing sector because of diminishing returns in the agriculture and other service activities which supply labour to the industrial sector. Using panel data, all the three laws have been empirically tested to be true across countries, across regions within countries, across regions and countries (see McCombie and Thirwall, 1994). These laws have not yielded any significant results if applied on non-industrial sectors.

Such theories have provided the basis for newly industrialised and developing economies alike to adjust in favour of the industrial sector. Precautions need to be exercised, though, when developing the industrial sector. There is need to establish the foundations first if the manufacturing sector is to sustainably grow. According to Kaldor (1996), balanced growth is required between internal growth and the traded goods sector because what constrains industrial growth in the first stages of development is demand from the other domestic sectors especially agriculture and then of course exports at later stages. This is because the industrial sector being developed will need a market to sell to. In the first stages of development, the agricultural sector provide the largest market hence the need for rising agricultural

productivity to provide the purchasing power and growing market for industrial goods (Kaldor's two-sector model of agriculture and industry).

Kaldor's two-sector model shows the importance of establishing balanced terms of trade between the agricultural and industrial sector in an economy in order to maximise growth. This aims at ensuring that industrial growth is neither supply-constrained by too high agricultural prices relative to the industrial prices nor demand-constrained by too low agricultural prices. However, with time, the market being offered by the agricultural sector will have to diminish and exports will then have to take over. It is then hoped that fast growing exports and industrial output will set up a vicious cycle of growth working through Verdoon's Law and other feedback, reinforcing mechanism. Such arguments provide one of the strongest cases for emphasising on industrialisation as a key component of SAPs while ensuring that the agrarian sector remains strong to provide not only the forward-backward linkages by way of cheap raw material support especially for the agro-processing industries but also to ensuring a strong domestic market in the early stages of industrialisation (before exporting).

Lewis' (Todaro et al, 2003) two sector model for structural transformation of an economy complements very well with Kaldor's as he also believed that an underdeveloped agrarian economy can transform itself into a vibrant industrial manufacturing economy as the agriculture sector's surplus production is saved and invested in the manufacturing sector. This happens along with migration of surplus labour from agriculture to the industrial sector.

Summarily, as Mkandawire et al (1999, p. 96) point out, most African and other development scholars generally agree that diversifying the production structures, shifting the focus from dependence on primary commodities towards a competitive industrial sector, is a desideratum for sustainable growth and development especially in Sub-Saharan Africa.

3.1 The Conceptual Framework of SAPs

In Africa and Latin America, most efforts at structural adjustment have been assisted and encouraged by the World Bank and the IMF. However, there is no universally

accepted definition of structural adjustment. What is often referred to as structural adjustment is basically macroeconomic reform or stabilisation policies.

According to the IMF, macroeconomic stabilisation and reform is usually looked as a pre-condition for structural adjustment. The IMF, therefore, conditions its support on policies consistent with macroeconomic stability. Although at a theoretical level, the faint dividing line between adjustment and stabilisation measures constitute important elements of adjustment. For example, exchange rate adjustment can be both an important adjustment measure (resource allocation effects) as well as a stabilisation measure (money supply effects).

In an economy that faces external shocks, it is generally considered by the IMF that implementation of stabilisation policies would restore the economy to the financial/monetary equilibrium position that existed before the shock. Stabilisation measures which tend to rely more on demand management are, therefore, not the reforms in themselves, but the structural measures adopted under adjustment (Chipika et al, 2000).

Adjustment policies are particularly needed in response to permanent and irreversible shocks on the economy. Structural adjustment lending (lending conditioned on specific economic policies such as reforms to free market forces so as to get prices right and promote long-term growth) has emerged as an instrument of the World Bank. Adjustment as practised by the World Bank is, therefore, a set of long-term policy measures targeted at restructuring the economy. Stabilisation polices by the IMF on the other hand, are short-term in nature targeted at correcting macroeconomic imbalances only (Kandoole, 1990).

Thus in carrying out an analysis of SAPs, it is crucial to focus on the long-term effects of reforming the structure of the economy. While macroeconomic reforms require that governments act prudently and live within their resource means, adjustment demands that governments withdraw as much as possible from intervening in resource allocation.

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Since most of the adjustment efforts in Africa have been made possible with the financial support of the World Bank (adjustment lending), structural adjustment is usually confused with adjustment lending by the World Bank which is conditioned on particular economic policy changes. However, adjustment can be achieved without the World Bank's lending as was the case with Vietnam and Chile in the 1980's (Summers and Pritchett, 1993).

Although SAPs can take many forms, they all share a common set of premise. According to the World Bank Report (1994, p. 61), they involve freeing market forces so that competition can help improve the allocation of resources, getting price signals right and creating an environment that allows businesses to respond to those signals in ways that increase the returns to investments.

Structural adjustment lending by the World Bank was created as a result of the pressing need for short-term and rapid financial support for macro adjustment and reform from developing countries after the major oil price shocks of the 1970's and declining terms of trade. However, these external factors alone cannot fully explain the crisis of low-income countries during the 1980's. Domestic policy factors, largely of a market interventionist nature, were also responsible for the poor economic performance of these countries.

Developing countries needed macroeconomic reforms during the 1970s and early 1980s since they incurred unsustainable fiscal and external deficits, which in turn led to monetary indiscipline, had endemic controls and policy-induced price distortions. Government also tended to engage directly in economic activities, including production and financial intermediation. This combination of external circumstances and inappropriate domestic economic management inevitably resulted in the economic performance of many developing countries suffering serious financial setbacks during the crisis period of the early 1980s. Yet for these countries to overcome the serious balance of payment crises and revive their economies, they had to adjust with the support of loans from the World Bank. Aid recipient nations have

thus endeavoured to maintain a favourable relationship with the World Bank during their adjustment programmes.

The premise of SAPs is on very strong neo-classical assumptions that markets are efficient and that government intervention in resource allocation is inefficient and distorting. Thus Government intervention is only accepted in cases of market failures in the provision of infrastructure, education and health services in which case 'market friendly' non discriminatory and non-selective intervention is recommended. According to the World Bank (1994), market failures are more costly than government failures and there is hence no room even for the infant industry protection, a critical requirement for developing countries' industrialisation.

Structural adjustment is therefore based on assumptions that ensure that free markets are efficient and they lead to optimal resource allocation and sustainable long-term growth. The need for market prices to reflect relative scarcities applies as much to factor as to product markets, though greater attention is generally paid to the latter. Under structural adjustment lending, the strategy is to get actual prices in line with shadow prices i.e. remove distortions.

With SAPs, distortions in the market can be corrected through trade and market liberalisation adjustment as well as adjustments in the nominal exchange rate to improve competitiveness. Coupled with these reforms are financial sector reforms which are generally crucial for industrialisation in that they aim at improving the functioning of the domestic financial market, removing distortions and controls and allowing interest rates to respond freely to market forces. A well-functioning financial sector raises both the level and efficiency of investment in the economy, thereby encouraging growth. However, due to high fiscal deficits, most financial institutions in developing countries are wrought with bad debts because huge domestic borrowing by governments. The financial sector reforms have therefore sought to reduce financial repression, restore solvency to the banking system, and bring improvements in the bank infrastructure (Helleiner, 1994, p.18).

Notably, the International Financial Institutions (IFIs)-supported adjustment programmes are designed to be implemented in a pre-packaged sequential order. The IFIs can then, as it often does, withhold aid in the event that a previous commitment has not been fully honoured. It is therefore not surprising that some of the adjusting countries have been denied this essential support by the WB and the IMF at very crucial times of the reform programme for failure to meet the prescribed targets. Zimbabwe for example, had to do without World Bank- IMF support for the 1995/96 and 1996/97 financial years because it was deemed to have failed to cut the fiscal deficit to 5 percent of the GDP by 1995 as agreed at the launch of ESAP in 1991 (Chipika, 2000, p. 27). Similarly, IMF's financial support towards Malawi's Poverty Reduction and Growth Facility (PRGF) for the 2002/03 financial year was abruptly stopped for similar reasons as Zimbabwe's (Malawi News, 2002 and 2003).

According to the IFIs the supply response of industry to economic reforms is expected to be similar across countries. No activity that is efficient will shut down because of the reforms, and none that is inefficient will survive. Actually, the inefficient activities will release resources to the efficient activities without any constraints but little lags. The ideal SAPs does not leave any scope for selective intervention to promote industrial growth but relies on free market driven resource allocation to produce industrialisation. With factor and product markets giving correct signals for efficient resource allocation, countries should reform to the incentive structure created by adjustment without linking the pace of reforms to the incentive structure.

3.2   Practical Lessons on the Impact of SAPs in achieving Industrial Growth in Other Developing Countries

The prescriptions and assumptions of SAPs are grounded theoretically in the neo-classical doctrine and are supported with evidence from other developing countries. However, the neo-classical doctrines of market economies are usually inapplicable to African developing countries where market failures are highly prevalent. But in order to convince countries on the need for reform, the World Bank and IMF have used evidence of countries that failed to achieve sustainable economic growth after adopting Import Substitution Initiative (ISI) policies in the 1960-80's period like India, Brazil and Latin America at large (Durufle, 1989, p. 167 and Mkandawire,

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1999, p.11). On the other hand these financial institutions have used the growth experience of the export oriented Newly Industrialised Countries (NICs) and other liberalising economies as good examples that benefited from reform measures.

The examining at an empirical level of the experiences of South-East Asia against those of African countries, hopes to bring about the need for different approaches to reform so as to achieve the targeted goal of industrial growth for Africa.

The true success story of the East Asian tigers reflects neither a universal SAPs package nor the superiority of markets (African Development Bank, 1994). In most of the cases, the New Industrialising Countries (NICs) adopted different industrial strategies under their SAPs approaches and also their governments had economic objectives which they pursued through the use of selective intervention, yet this is the sort of intervention the World Bank cannot accept for any adjusting country to adopt along with its reform measures.

It is strange to note that adjustment programmes vehemently oppose governments in applying selective trade protection, subsidised credit and industrial policy. Yet these are the same policies that worked magnificently well in the East Asian success story. The selective interventions in these countries have been reflected in the maintenance of macroeconomic stability, high initial levels of investment in education and training, sound government and market institutions, and a basic reliance on private markets and production (Konadu-Agyemang, 2001, p.2). According to the East Asian Miracle (African Development Bank, 1994), there is no unique East Asian model and there were numerous government interventions, selective and functional, in most of the NICs during their reform periods. In this light, it brings to question the World Bank's assertions that generalised rapid liberalisation would allow countries to replicate the success in industrial and export performance experienced by the NICs.

What is of central importance is not the question of whether government intervention is good or bad for industrial policy, but whether governments have the ability to implement the policies of intervention. Under some conditions, it is agreeable that an infant industry tariff can improve welfare. However, government's ability to identify

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infant industries correctly and remove them from protection when they are mature enough to resist lobbying pressures, is critical to the success of this policy measure. Thus the East Asian countries adopted market friendly interventions to support skills development and all the countries had different industrial policies which impacted differently on the industrial and export structures, and development of technological capabilities.

Mkandawire (1999, p.13) actually points out that although the professed objective of industrialisation by African Governments was to diversify exports to include more goods of high income elasticity, ISI as implemented in much of Sub-Saharan Africa lacked any strategy to move progressively to a greater emphasis on exports or to gain access to technology. This lack of strategy for export competitiveness, rather than import substitution per se, was the central problem of African industrialisation that distinguished it from the Asian Tigers. What penalised Africa was the naïve expectation that industry would somehow transform itself to achieve export diversification without explicit measures to push industry in this direction.

The important lesson that can be learned from the East Asian success story is that each country had a different strategy for addressing market failures. All of them were successful in resolving functional failures through state intervention coming through heavy investment in infrastructure, education, and human capital development. However, these countries differed in their trade, industrial and foreign direct investment policies, technological support services and capital market policies. In all cases, industrial deepening required government intervention to protect the learning process (Carbo, 1992). The intervention, therefore, should be placed in strongly export-oriented trade regime, with skill and technology creation mobilised for infant industry protection. The fundamental requirements for this whole process is that the policy making apparatus that implements the interventions be efficient, skilled, flexible in decision-making, making decisions in close consultation with industry and be isolated from political interference.

This highlights the need for outward looking policies guided by market forces for the expansion of the private sector if industrialisation is to be meaningfully achieved under economic reforms in adjusting countries. Additionally, the reforms should be

based on strategies that target at remedying market failures in industrial restructuring and development. The strategies adopted should have an input from the private sector through consultations. However, the government should retain a strong role in terms of facilitating economic activities and not managing or producing. The ideal SAPs premise of 'getting prices right' is inapplicable to the problems facing developing countries especially when it comes to developing government abilities to intervene efficiently.

All in all, however, the experiences of SAPs in the 1980s were negative. Among the adjusting countries of sub-Saharan Africa, three quarters had declining per capita incomes, over half had declining investment and accelerating inflation which impacted very negatively on their industrial sectors (Chipika et al, p33).

4. Background to Structural Adjustment in Malawi

Malawi is a landlocked country in Central Africa with a predominantly agricultural economy which remains fragile due to continued subjection to external factors of declining terms of trade, reliance on climatic conditions and foreign aid. The country's industrial sector only contributes less than 17% to the country's Gross Domestic Product (GDP) with 14% coming from the manufacturing sector alone. The agricultural sector contributes 41%[2] and employs more than 85% of the country's labour force, making it not only an important springboard for any industrial efforts in Malawi but the major source for the country's economic development currently. Agriculture also contributes 90% of export earnings with the industrial sector contributing less than 10%. This over-dependence on raw material commodities, an enduring legacy of British colonialism, makes the economy extremely vulnerable to world market price fluctuations (World Development Movement). For example, since the World's economic recession of the 1980's, Malawi's trade balance has often been in deficit with the export value of tobacco and tea the principle export commodities being on the decline (World Bank, 1998).

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[2] Malawi Poverty Reduction Strategy Paper, April 2002

During the first 15 years after independence in 1964, however, Malawi's economy enjoyed vigorous growth and economic development. The real growth rate in GDP averaged over 6% corresponding to an average annual growth rate per capita income of 2.5%. At independence, gross domestic investment constituted only 9% of GDP and domestic savings were virtually nil. By 1979 the share of domestic investment in GDP had risen to 28% while that of domestic savings rose to 15.2%, increasing the share of investment financed from domestic resources to nearly 55%. The export volume grew at an average annual rate of 4.5 %, slightly faster than the 3.5% at which import volume grew annually. The impressive growth of GDP and other macroeconomic variables was attributed to substantial increases in output in the agricultural sector. The increased output in the agricultural sector not only provided an export base but also fuelled the expansion of secondary sectors such as manufacturing (Chisala et al, 1990, p.88).

The history of Structural Adjustment Programmes (SAPs) in Malawi can be traced to the onset of external shocks faced within the economy in the late 1970's which manifested themselves through the deterioration in terms of trade and external transport problems. So serious were the external shocks that they, in turn, led to gross internal imbalances in the economy such that positive growth prospects were completely jeopardised. In particular, the shocks engendered a steep rise in the prices of imported fuel, intermediate goods, capital and a decline in export prices. The political problems in the neighbouring Mozambique which provided the shortest distance ocean outlet, led to the disruption of the traditional rail route to the ocean and a need to switch to more expensive truck routes. On the domestic front, the country suffered from recurrent droughts especially in the early to mid-1980. Overall, the Balance of Payment (BOP) position deteriorated and the net capital inflows were inadequate to finance the current account deficit which resulted in a further deterioration of the foreign reserves position. The economy was also grappling with a huge external debt burden as a result of heavy borrowing on commercial terms to finance heavy social amenities (Malawi Government, 1999, p.29). These shocks exposed the country's structural weaknesses which had until then been camouflaged

by some modest GDP growth rates and the relative absence of disruptive external shocks

To correct the situation, the Malawi government embarked on a stabilisation programme designed to reduce short-term fiscal and balance of payment disequilibrium and a process of structural adjustments designed to improve efficiency in resource allocation and to ensure that positive growth of per capita income is sustainable. The former was carried out with the assistance of the IMF's Extended Fund Facility and Standby credits while the later with the World Bank's Structural Adjustment Loan (SAL) (Special Studies Document, 1987, p.1).

Chisala and Mthindi (1990) indicate that the first Structural Adjustment Programme (SAP) took off in 1981 and it run into three Structural Adjustment Loans (SALs) up to the end of the 1980's which largely targeted revamping agricultural exports. These SALs were designed to improve the balance of payments, cut budget deficit, give market mechanism greater efficiency in determining prices, wages, resource allocation, and alter the structure of production towards industry. In particular, these adjustments involved raising the produce prices of smallholder farmers to promote exports, eliminating consumer price and fertiliser subsidies, exchange and interest rate adjustment, higher fees for public utilities and services, cuts in public expenditure, shifts in public investments away from transport and government buildings towards agriculture, health, and housing; and in the agriculture sector a shift from National Rural Development Programme (NRDP) towards agricultural research and extension. A programme for restructuring and improving the management of parastatals including liberalisation of the agricultural marketing and divesture of public holding companies such as Agricultural Development and Marketing Corporation (ADMARC) was also included into the programme. As is usually the case in an adjusting country under the prescriptions of the IMF and World Bank, the first step in implementing adjustment programme(s) by Malawi in the 1980s was to carry out a stabilisation programme which mainly focused on exchange rate policies. The World Bank and IMF consider devaluation to be crucial for the success of the reform process as it is assumed to bring export competitiveness necessary to eliminate external imbalances. Since exchange rates are within the scope of the IMF, measures

concerning exchange rates are increasingly included in stabilisation programmes and less so in structural adjustment programmes.

Even though Malawi has continued to implement economic reforms to date, the government has still not implemented the reforms as a 'complete programme' by fully restructuring the economy. Macroeconomic stability issues like high budget deficits, huge domestic and external debts, high interest rates and inflation levels are still outstanding (Malawi Economic Growth Strategy, 2003). Malawi seems to be facing a tag of war between government and donors on development options. Whereas the donor partners and the international financial institutions have been advocating for increasing economic efficiency through applying neo-liberal economic policies, government has been faced with politically significant pressure from the civil society for a state-led growth. For example efforts to deregulate and privatise state-owned firms started in 1996 when the Public Enterprises (Privatisation) Act was passed. However, by 2001, only 26 of the 99 public enterprises had been privatised[3]. These outstanding issues make it difficult to explicitly point out on whether the reforms have achieved their goals or not in Malawi. However, the policy thrust of the 2003-2007 Malawi Economic Growth Strategy clearly confirms government's desire to bring macroeconomic indicators to levels consistent with a sound and sustainable macroeconomic framework. Thus it is hoped that the full implementation of the adjustment, stabilisation and liberalisation measures will create the economic benefits expected under the WB_IMF programmes. This would enable researchers and policy makers to effectively analyse the sector-specific effects of SAPs without the constraint of analysing a reform programme that can be dubbed 'adjustment without stabilisation'.

5. Reforms towards Industrial Growth in Malawi

Several reforms under the structural adjustment programmes were implemented in Malawi. Despite wishing to promote industry growth, most of the reforms, as could be noted in the earlier sections, have either been very holistic in nature or indeed having little direct bearing on manufacturing industry growth. To put this into perspective, it is worthy noting that it was only until 1998 when the Malawi government had come

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[3] Annual Report, Malawi Privatisation Commission, 2000 also see www.privatisationmalawi.org

up with an integrated national Trade and Industrial Policy. This paper, however, will only concentrate on those economic reforms under SAP that have/could have had a significant bearing on industrial growth. These reforms relate to exchange rate policy reforms, agricultural and general economy liberalisation policies, and financial sector policy reforms.

5.1 Exchange Rate Policy Reforms

One of the theories behind the rationale of SAPs from the 1980's was that most of the African currencies were overvalued. An overvalued currency has a value higher than its real equilibrium exchange rate since theoretically it has not been set by the market mechanism. Such overvalued currency causes the country's exports to lose competitiveness as its exports become more expensive than would be the case if not overvalued. The recommended solution under the SAPs is therefore devaluation since the overvalued currency not only harms exports but also promotes capital flight because people attempt to anticipate a future devaluation.

Movements in the foreign exchange prices have played an important role for Malawi's manufacturing sector as it virtually is reliant on capital goods and spare parts from abroad. Making the foreign exchange prices to be determined by the market would hence allow for easy and unrestricted amounts of foreign exchange available to the firms.

Until 1994, Malawi operated on the fixed exchange rate system. Thus during the earlier SAPs before 1994, devaluations were implemented from time to time to make sure that the official exchange rate did not deviate very much from the market determined exchange rate, that is, the exchange rate that would rule had there been a freely floating exchange rate. The frequent devaluations that had been taking place before1994 led to the proliferation of black markets and according to the SAPs this was smuggling. In February 1994, a market based exchange system was put in place and the real effective exchange rate depreciated substantially. During the more than two years that followed, the Kwacha (Malawian currency) stabilised through constant, deliberate interventions of the Central Bank. This again changed during the third quarter of 1998 when the Kwacha was set free from its managed float, and accordingly depreciated by a significant margin (Malawi Government, 1999).

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Before the floatation of the Malawi Kwacha, the Reserve Bank of Malawi (RBM), which is Malawi's central bank, was responsible for the distribution of foreign currency for importing goods and services. This was through the issuing of import licences to all importers who would then use this license to purchase foreign currency. Exporters were required to sell all their foreign currency within a specified period of time to the RBM at the official exchange rate.

Presently with the market based exchange rate, exporters are allowed to keep part of their export earnings in Foreign Currency Denominated Accounts (FCDAs) and sell the difference to the RBM. Thus they can use their foreign currency accounts for imports and they can also buy foreign currency from foreign exchange bureaux or from the foreign exchange auction at the RBM.

5.2 Financial Policy reforms

The financial sector in Malawi, prior to the SAPs was marred with negative real interest rates which were a result of high inflation rates and credit rationing. Not only did this situation deter savings from the public into the local banks but also left little credit available for the manufacturing sector for expansion and new investments (Malawi ESAF Policy Framework Paper, 2001, p.3).

According to the Malawi 2001 ESAF Framework Paper, The objective of the SAPs, therefore, with respect to the financial sector and in particular the banking sector, was to realise positive real interest rates. To this end, the RBM had the mandate to ensure that the commercial banks maintained a market determined interest rate structure and used open-market operations in an attempt to maintain positive real interest rates. A commendable achievement is that some commercial banks like Finance Bank, Financial Company of Malawi (FINCOM), Investment Development (INDE) Bank, have been opened thereby boosting competition in the financial sector. This competition has proved healthy for the economy as it has encouraged savings and helped to bring more loanable funds to manufacturing firms as interest rates at market value have been increasing from 17% in 1980 to 38% in 1998[4].

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[4] Data source: World Development Indicators, 2000

5.3 Agricultural Policy Reforms

Achieving successful industrialisation from an agrarian-based economy like Malawi necessitated implementation of agricultural reforms in order to improve agricultural productivity. A vibrant agricultural sector would provide raw materials for the largely agro-processing industry in the economy. It sadly should be noted, however, that Malawi's economic policy-makers have placed much emphasis on the agricultural sector as an engine for generating further export revenue and not necessarily developing it inline with the premise of the SAPs that emphasise on having the agricultural sector as the gate way to industrial growth.

According to King (1990, p.5), the motive of industrial growth aside, improvement in agricultural productivity has been seen as the pre-requisite for growth as well as a way of providing the BOP position since it is the mainstay of the Malawi economy. Thus improvements in the BOP position were to be achieved through increased agricultural exports by providing smallholders with adequate producer price incentives and by diversification of the export base.

Measures to stimulate agriculture production have always concentrated on decreasing the traditional disadvantage of agricultural exports. Devaluation was seen as an important instrument in increasing competitiveness and encouraging diversification for tradables within the agricultural sector and towards manufacturing. In addition agricultural policies have also aimed at maintaining the goal of food self-sufficiency so as to improve agricultural productivity through provision of small-holder producer price incentives and establishment of a credit facility for the estate sub-sector. Policies in this regard have included the gradual elimination of subsidies on fertilisers and the elimination of the restrictions on the growing of the main export crop, tobacco, by smallholder farmers.

According to the Malawi Government (1999), central to stimulating agricultural productivity in the early 1980's was the reforming of the Agricultural Development and Marketing Corporation (ADMARC), a marketing organisation set up to act as a farmers marketing board. Central to ADMARC's reform was the opening up of crop

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marketing to the private sector in order to reduce the monopoly it held in selling farm inputs and buying of smallholder output. The private traders have therefore been allowed to compete with ADMARC with regard to domestic purchases and exportation.

Remarkable progress has also been made in the liberalisation of agricultural markets especially following the implementation of the first Fiscal Restructuring and Deregulation Programme (FRDP) in 1996. Prices were completely decontrolled for virtually all products, the main exceptions being maize (staple food) and sugar. Further, all crops can now be exported except maize which is the country's staple food. Under this system producer prices have increased relative to past years providing increased income and incentives for surplus tradable crop producers. It was also expected that the move to flexible prices would encourage the role of private traders in grain trading and price stabilisation thereby reducing the dominant role of ADMARC in this market (Malawi Government, 1999).

Under the SAPs, tobacco and other cash crops, which were previously grown exclusively by estates, were liberalised in view of Government's commitment to expanding access of smallholders to all cash crops to increase not only their disposable income but the raw materials available to the industrial sector and ultimately export earnings. Another important element of the agricultural policy has been the distribution and subsidising of fertilisers. The distribution of fertiliser in Malawi has since been liberalised and subsidies on fertiliser have been removed. Although a lot of reforms were carried out under what was called the Agriculture Sector Adjustment Credit (ASAC), agriculture has continued as one of the priority areas in the budgetary allocations under the adjustment programmes (Kandoole, 1990).

6.0 Analysis of the Impact of Structural Adjustment Programmes on Manufacturing Industry's Growth in Malawi

In assessing the impact of the structural adjustment programmes on the manufacturing sector growth in Malawi, it becomes important to put into perspective the economic parameters that the SAPs targeted in changing. Such parameters would then be

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assessed if they have changed according to the SAPs assumptions leading to higher manufacturing industry's growth.

According to Chenery (1988, p. 250), the transformation in the structure of production is part of the economic development. Various sources of growth underlie an economy when it goes into the transformation. The sources of growth can be from the demand side which is induced by such factors as domestic demand expansion, export expansion, and import substitution. However, the supply side has to complement the demand side as a source of growth by ensuring factor accumulation and productivity growth. The demand side remains the major source of growth as it is the one that induces supply growth. As Chenery rightly points out, it is only in the higher income interval, when labour is declining absolutely in agriculture and productivity has risen significantly, is the differential in factor input growth the dominant source of growth.

In light of the fact that Malawi implemented structural adjustments targeting both the demand side and supply side of the economy (Chisala and Mthindi, 1990) and that various economic variables and also externalities like droughts had impact on the performance of the industrial sector during the economic reform period, it becomes crucial to determine the significance of the impact i.e. which variables had the most impact. Such parameters could then be a target for future economic policy that aims at accelerating industrial growth in Malawi.

As outlined in the previous section on the reforms that took place during the SAP period 1981-1998, those that were targeted for industrial sector growth are those relating to agricultural growth which would provide inputs for the predominantly agro-processing manufacturing industry; domestic credit provided by the banking sector i.e. domestic financing; levels of industrial investment; levels of foreign direct investment; Gross Domestic Product growth which induces the much needed economies of scale for industrial growth; Gross Domestic Savings; Industrial support services growth like utilities, insurance and financial services; exchange rate movements to check for volatilities or stability that could have a bearing on the levels of domestic investment; real interest rates to determine the possible effects of inflation, lending and depositing rates on national savings and borrowing rates; and

the levels of public enterprise economic activity which could be quite important in analysing the levels of interest rates as well as the possible crowding out effects on the private sector. As mentioned earlier, there are so many other parameters that may have had significant effect on industrial growth in Malawi during the periods under study[5], however, the aforementioned economic parameters are considered most salient in this study with regard to their impact on industrial growth hence have been considered for analysis.

A regression analysis of the aforementioned variables on manufacturing growth over the years could have been important in analysing the quantified impact of each individual economic variable on manufacturing sector growth in Malawi both before and during the SAPs periods. This could be done through the following simple linear regression model:

MVA = f (AVA, FDI, GDP, GDS, IFS, EXC, RIR, PEA)   *Equation 1*

Where

       MVA is manufacturing value added growth

       AVA is agricultural value added growth,

       FDI is foreign direct investment growth,

       GDP is gross domestic product growth

       GDS is gross domestic savings growth

       IFS is industrial insurance and financial services growth

       EXC is exchange rate changes

       RIR is real interest rate changes

       PC is private consumption growth

       PEA is growth in levels of public enterprise economic activity.

The values to be assumed by the regression variables would be an important indication in terms of determining the variables that have been of much significance to the performance of the industrial sector both before and after the SAP period. It is these policies that future economic reform policies would have to target in order to make an accelerated positive impact on the industrial sector in Malawi. Economic

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[5] Before SAPs period: 1960-1980   After SAPs period : 1981-1998

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theory would dictate that after the economic reforms have been implemented, the parameters defined in equation 1 above would be positively related to the manufacturing value added growth with the possible exception of levels of public enterprise economic activity which is supposed to be declining as more and more market forces come into play (market liberalisation), government activities have to be reducing through deregulation policies.

However, when a linear regression of the model is run both during the Pre SAPs period and the after-SAPs period, with dummies included for 1981, 1982 and 1992 being drought years, the following results in **Table 2(a)** and **Table 3 (a)** below are obtained.

Table 2(a): The Relationship between Industrial Growth and Key Economic Variables before the SAPs Implementation Period in Malawi, 1960-1980

(i) Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.667(a)	.445	-.048	4.21583	2.095

a Predictors: (Constant), PC, GDS, EXC, GDI, FDI, GDS, RIR, AVA
b Dependent Variable: MVA

(ii) ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	128.447	8	16.056	.903	.552(a)
	Residual	159.959	9	17.773		
	Total	288.406	17			

a Predictors: (Constant), PC, GDS, EXC, GDI, FDI, GDS, RIR, AVA
b Dependent Variable: MVA

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(iii)Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	-17.094	22.169		-.771	.460	-67.244	33.055
	AVA	.129	.315	.205	.411	.691	-.583	.841
	FDI	-5.557E-07	.000	-.087	-.223	.828	.000	.000
	GDI	.615	.362	.666	1.699	.124	-.204	1.435
	GDS	.284	.304	.392	.936	.374	-.403	.972
	IFS	-10.007	15.483	-.283	-.646	.534	-45.032	25.018
	EXC	.353	.236	.693	1.493	.170	-.182	.888
	RIR	.206	.221	.392	.932	.376	-.294	.707
	PC	.138	.134	.480	1.034	.328	-.164	.441

Dependent Variable: var002

(iv) Coefficient Correlations

Model			PC	IFS	EXC	GDI	FDI	GDS	RIR	AVA
1	Correlations	PC	**1.000**	.085	-.052	.428	-.258	.339	**.793**	-.139
		IFS	.085	**1.000**	.359	.463	**-.675**	**.510**	.000	**.672**
		EXC	-.052	.359	**1.000**	.481	-.243	**.552**	-.120	**.699**
		GDI	.428	.463	.481	**1.000**	-.479	.376	.278	.516
		FDI	-.258	**-.675**	-.243	-.479	**1.000**	-.575	-.212	-.423
		GDS	.339	**.510**	**.552**	.376	**-.575**	**1.000**	.266	.389
		RIR	**.793**	.000	-.120	.278	-.212	.266	**1.000**	-.231
		AVA	-.139	**.672**	**.699**	**.516**	-.423	.389	-.231	**1.000**
	Covariances	PC	.018	.177	-.002	.021	-8.603E-08	.014	.023	-.006
		IFS	.177	239.718	1.313	2.599	-2.597E-05	2.402	.001	3.274
		EXC	-.002	1.313	.056	.041	-1.428E-07	.040	-.006	.052
		GDI	.021	2.599	.041	.131	-4.312E-07	.041	.022	.059
		FDI	-8.603E-08	-2.597E-05	-1.428E-07	-4.312E-07	6.182E-12	-4.343E-07	-1.166E-07	-3.312E-07
		GDS	.014	2.402	.040	.041	-4.343E-07	.092	.018	.037
		RIR	.023	.001	-.006	.022	-1.166E-07	.018	.049	-.016
		AVA	-.006	3.274	.052	.059	-3.312E-07	.037	-.016	.099

Dependent Variable: MVA

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Table 3 (a):   The Relationship Between Industrial Growth and Key Economic Variables DURING the SAPs Implementation Period in Malawi, 1981-1998

(i) Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.667(a)	.445	-.048	4.21583	2.095

Predictors: (Constant), PC, IFS, EXC, GDI, FDI, GDS, RIR, AVA
Dependent Variable: MVA

(ii) ANOVA Table

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	128.447	8	16.056	.903	.552(a)
	Residual	159.959	9	17.773		
	Total	288.406	17			

Predictors: (Constant), PC, IFS, EXC, GDI, FDI, GDS, RIR, AVA
Dependent Variable: MVA

(iii) Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	-17.094	22.169		-.771	.460	-67.244	33.055
	AVA	.129	.315	.205	.411	.691	-.583	.841
	FDI	-5.557E-07	.000	-.087	-.223	.828	.000	.000
	GDI	.615	.362	.666	1.699	.124	-.204	1.435
	GDS	.284	.304	.392	.936	.374	-.403	.972
	IFS	-10.007	15.483	-.283	-.646	.534	-45.032	25.018
	EXC	.353	.236	.693	1.493	.170	-.182	.888
	RIR	.206	.221	.392	.932	.376	-.294	.707
	PC	.138	.134	.480	1.034	.328	-.164	.441

Dependent Variable: MVA

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(iv) Coefficient Correlations

Model			PC	IFS	EXC	GDI	FDI	GDS	RIR	AVA
1	Correlations	PC	1.000	.085	-.052	.428	-.258	.339	.793	-.139
		IFS	.085	1.000	.359	.463	-.675	.510	.000	.672
		EXC	-.052	.359	1.000	.481	-.243	.552	-.120	.699
		GDI	.428	.463	.481	1.000	-.479	.376	.278	.516
		FDI	-.258	-.675	-.243	-.479	1.000	-.575	-.212	-.423
		GDS	.339	.510	.552	.376	-.575	1.000	.266	.389
		RIR	.793	.000	-.120	.278	-.212	.266	1.000	-.231
		AVA	-.139	.672	.699	.516	-.423	.389	-.231	1.000
	Covariances	PC	.018	.177	-.002	.021	-8.603E-08	.014	.023	-.006
		IFS	.177	239.718	1.313	2.599	-2.597E-05	2.402	.001	3.274
		EXC	-.002	1.313	.056	.041	-1.428E-07	.040	-.006	.052
		GDI	.021	2.599	.041	.131	-4.312E-07	.041	.022	.059
		FDI	-8.603E-08	-2.597E-05	-1.428E-07	-4.312E-07	6.182E-12	-4.343E-07	-1.166E-07	-3.312E-07
		GDS	.014	2.402	.040	.041	-4.343E-07	.092	.018	.037
		RIR	.023	.001	-.006	.022	-1.166E-07	.018	.049	-.016
		AVA	-.006	3.274	.052	.059	-3.312E-07	.037	-.016	.099

Dependent Variable: MVA
Data Source: World Development Indicators, 2000

Due to small number of observations (less than 20 years before SAPs and 20 years After SAPs), **Tables 2(a) and 3(a) above** produce statistics that are difficult to accept as realistic. The tables give the impression that the key economic parameters targeted by the Structural Adjustment Programme, have not significantly contributed to changes in industrial growth in Malawi (as reflected in the very low probabilities of significance at the 90% confidence interval in table **2a (iii) above** and **3b (iii) below**) suggesting that the situation may not have been any different in the absence of the structural reforms. The high standard errors and low t-values coupled with even negative adjusted R-squared (an indicator of goodness of fit) are an indication of existing multicollinearity which the correlation **tables 2a (iv)** and **3a (iv)** do highlight in bold. Further, against economic theory, the variables FDI and IFS are assuming negative signs (see **tables 2a iii** and **3a iii above**) indicating as if there is negative correlation between the variables and manufacturing value added which is a pure indication of multicollinearity.

Effort was made to correct for multicollinearity by removing some highly correlated variables in the model. In the PRE-SAP period, AVA and EXC were removed while in the DURING-Sap period, FDI and IFS were removed. This seemed to slightly reduce the multicollinearity level as seen in table **1b (iii)** and **2b (iii) below** where standard errors were minimised and t-values improved. Where as serial correlation seemed to have been removed in the PRE-Sap period where **table 2b (i) below** indicated a Durbin Watson value of **3.040** which is higher than the critical values of **0.603 (dL)** and **2.257 (dU)**, the ANOVA table (**2b ii**) indicates that the model is being explained more by the residuals than the variables defined in the model thereby making it improper to apply the results to the study analysis. On the other hand, serial correlation could still be traced in the DURING-SAP period as reflected in a Durbin Watson value of **1.586** that falls in the inconclusive region of the critical values of **0.603 (dL)** and **2.257 (dU)** in **Table 3b(i) below**. As would be expected in a small data set, removal of variables like IFS and FDI which are for sure very important for manufacturing growth did not only create missing variables bias but exacerbated the level of serial correlation. Unfortunately, it would be very difficult if not impossible to correct for serial correlation in the presence of already limited number of observations (years) given by the data under use in this study. Further, all these tables have their F-values, which are an indication of joint significance of the variables in the equation, being far below the critical values. This makes it difficult to trust the regression as the goodness of fit of the regression variables is not assured.

Table 2(b):   The Relationship between Industrial Growth and Key Economic Variables Adjusted for Multicollinearity BEFORE the SAPs Implementation Period in Malawi, 1960-1980

(i) Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.689(a)	.475	-.050	6.60703	3.040

Predictors: (Constant), GDI, IFS, PC, FDI, RIR, GDS
Dependent Variable: MVA

(ii) ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	236.767	6	39.461	.904	.547
	Residual	261.917	6	43.653		
	Total	498.684	12			

Predictors: (Constant), GDI, IFS, PC, FDI, RIR, GDS
Dependent Variable: MVA

(iii) Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations		
		B	Std. Error	Beta			Zero-order	Partial	Part
1	(Constant)	-37.024	31.461		-1.177	.284			
	FDI	7.638E-07	.000	.360	1.078	.322	.325	.403	.319
	GDS	-.487	.816	-.472	-.597	.572	.101	-.237	-.177
	IFS	3.905	7.348	.205	.531	.614	.095	.212	.157
	RIR	11.612	29.254	.226	.397	.705	.035	.160	.117
	PC	.146	.283	.192	.517	.624	-.016	.206	.153
	GDI	1.090	.589	1.038	1.851	.114	.367	.603	.548

Dependent Variable: MVA

(iv) Coefficient Correlations

Model			GDI	IFS	PC	FDI	RIR	GDS
1	Correlations	GDI	**1.000**	.454	.020	-.059	-.069	**-.663**
		IFS	.454	**1.000**	-.280	-.296	-.293	**-.595**
		PC	.020	-.280	**1.000**	.121	**.540**	.419
		FDI	-.059	-.296	.121	**1.000**	-.088	.146
		RIR	-.069	-.293	**.540**	-.088	**1.000**	**.659**
		GDS	**-.663**	**-.595**	.419	.146	**.659**	1.000
	Covariances	GDI	.347	1.966	.003	-2.458E-08	-1.186	-.319
		IFS	1.966	53.995	-.583	-1.541E-06	-62.933	-3.571
		PC	.003	-.583	.080	2.423E-08	4.475	.097
		FDI	-2.458E-08	-1.541E-06	2.423E-08	5.016E-13	-1.826E-06	8.431E-08
		RIR	-1.186	-62.933	4.475	-1.826E-06	855.797	15.729
		GDS	-.319	-3.571	.097	8.431E-08	15.729	.667

Dependent Variable: MVA

Table 3(b):   The Relationship Between Industrial Growth and Key Economic Variables Adjusted for Multicollinearity DURING the SAPs Implementation Period in Malawi, 1960-1980

(i) Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.609(a)	.370	.027	4.06276	1.586

Predictors: (Constant), PC, AVA, GDS, GDI, RIR, EXC
Dependent Variable: MVA

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(ii) ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	106.839	6	17.807	1.079	.431(a)
	Residual	181.566	11	16.506		
	Total	288.406	17			

Predictors: (Constant), PC, AVA, GDS, GDI, RIR, EXC
Dependent Variable: MVA

(iii) Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations		
		B	Std. Error	Beta			Zero-order	Partial	Part
1	(Constant)	-26.610	13.555		-1.963	.075			
	AVA	.277	.224	.440	1.236	.242	.010	.349	.296
	GDI	.651	.299	.704	2.176	.052	.288	.548	.520
	GDS	.300	.235	.414	1.278	.228	.095	.359	.306
	EXC	.408	.213	.800	1.916	.082	.139	.500	.458
	RIR	.149	.204	.284	.732	.479	.061	.216	.175
	RIR	.113	.124	.393	.916	.379	-.012	.266	.219

Dependent Variable: var002

(iv) Coefficient Correlations

Model			var010	var003	var006	var005	var009	var008
1	Correlations	PC	**1.000**	-.262	.275	.399	**.779**	-.093
		AVA	-.262	**1.000**	.099	.338	-.309	**.663**
		GDS	.275	.099	**1.000**	.101	.229	.492
		GDI	.399	.338	.101	**1.000**	.260	.394
		RIR	**.779**	-.309	.229	.260	**1.000**	-.135
		EXC	-.093	**.663**	.492	.394	-.135	**1.000**
	Covariances	PC	.015	-.007	.008	.015	.020	-.002
		AVA	-.007	.050	.005	.023	-.014	.032
		GDS	.008	.005	.055	.007	.011	.025
		GDI	.015	.023	.007	.090	.016	.025
		RIR	.020	-.014	.011	.016	.042	-.006
		EXC	-.002	.032	.025	.025	-.006	.045

Data Source: World Development Indicators, 2000

The above regression results can not hence be relied for application under this study. However, recognising that the World Development Indicators[6] data only runs up to 13 years for the 'Pre-SAP' period (1968-1980) and 18 years for the 'during SAP' period (1981-1998), it becomes no strange that running a linear regression on such limited number of years (observations) creates serial correlation that leads to inefficient

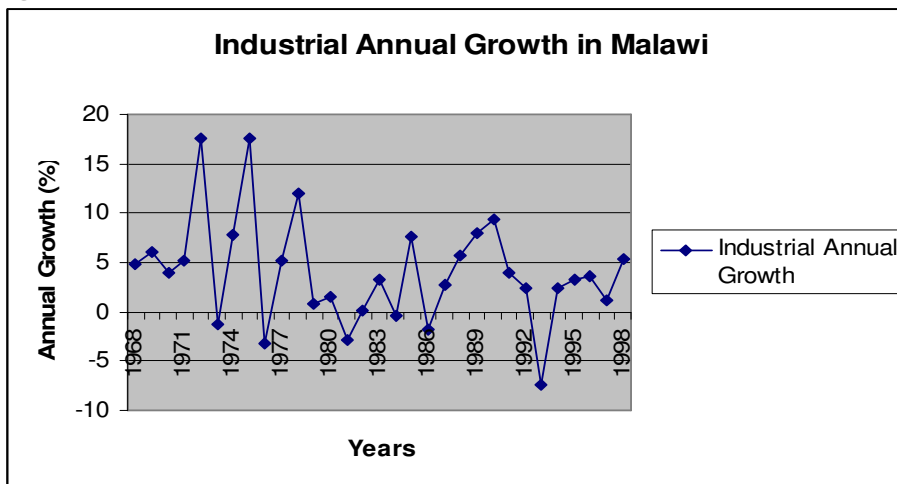[6] World Development Indicators, 2000 is the data set for this study

estimates that can not be relied upon in building conclusions on the impact of the economic variables under discussion on the manufacturing sector's growth in Malawi.

With such data limitations, therefore, a descriptive analysis is fully used in analysing the performance of the Manufacturing sector in Malawi and the changes in the key economic parameters that have been affecting manufacturing industry's growth. However, a regression analysis needs to be explored by future researchers in the availability of adequate data.

6.1 Manufacturing Sector Performance

As can be seen from **Figure 1 below**, the industrial sector has been declining way before the implementation of the SAPs began in the 1980's making the economic reforms worthwhile in the 1980's. However, the declining growth in the whole industrial sector continued worsening off during the SAP implementation period averaging only 4% annually compared to the annual 5% before SAPs. On the other hand, the GDP performance continued to sour off averaging 2.5% which is over two times lower than the annual 6%[7] registered before the SAP period. The reasons for this dismal industrial sector performance can not be attributed to a single factor as an analysis on some of the factors in the succeeding sections below suggest.

**Figure 1: Industrial Annual Growth in Malawi, 1968-1998**

Data Source: World Development Indicators, 2000

However, since the focus of the paper is on the manufacturing industry and yet industry broadly defines even construction, electricity and water, it becomes

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[7] Data Source: World Development Indicators, 2000.

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important to take a look at the performance of the manufacturing sector in isolation. As **Figure 2 below** shows, there is indication that the manufacturing sector has been growing despite with volatilities especially in the 1990's. Much as the industrial sector in general has not been very responsive to the structural reforms, the manufacturing sector has been positively responsive though dismally.

Figure 2: Manufacturing Annual Growth in Malawi, 1976-1998
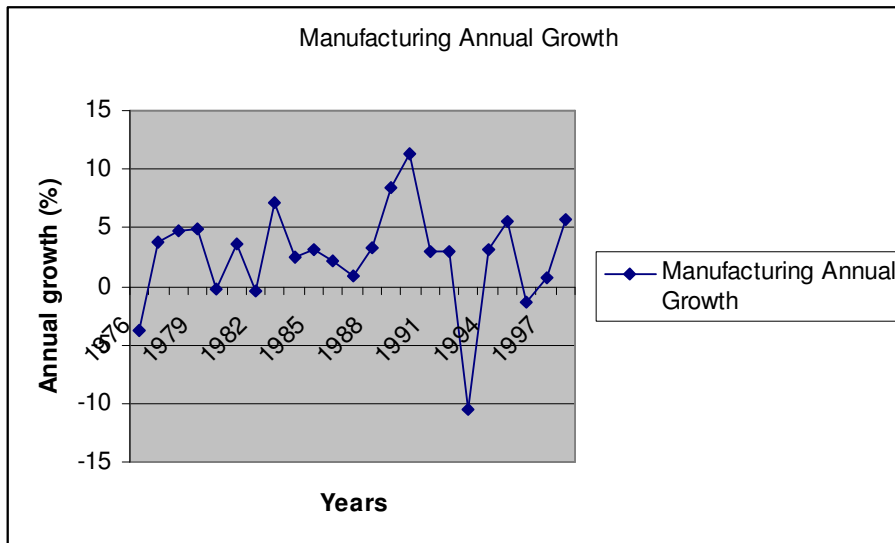
Data Source: World Development Indicators, 2000

6.1.1 Agricultural Sector Performance

Since Malawi's industry is largely agricultural based, it becomes important to take a look at what the performance of the agricultural sector has been over the whole period under review. As was the aim, the agricultural sector grew more during the SAP implementation period (6% annually) than was the case in the pre-SAP period (3% annually). This offers an interesting observation in that as industrial growth had declined by about 100% during the entire SAP period, the agricultural sector had grown by 100%. This offers the suggestion that the agricultural sector has not been developed in order to support the manufacturing industry's growth but merely for promotion of more diversified but vulnerable agricultural primary commodities. However, the agricultural tradable sector (especially sub-sectors of tobacco, tea and sugar) has been on a constant declining beginning the end of the 1980's onwards.

Figure 3 below shows that the agricultural sector, though experiencing mixed results before the SAP period in terms of annual growth rates, was more stable than during

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the SAP period. This problem of the volatilities in the growth of the agricultural sector during the SAP period could be a reflection of the deficiencies in the SAPs designs to take into account such external factors as droughts as was the case in Malawi in 1992 and 1994. The re-introduction of agricultural subsidies in the years that immediately followed the droughts[8] was important in restoring agricultural growth in the short-term.

Figure 3: Agricultural Annual Growth in Malawi, 1968-1998
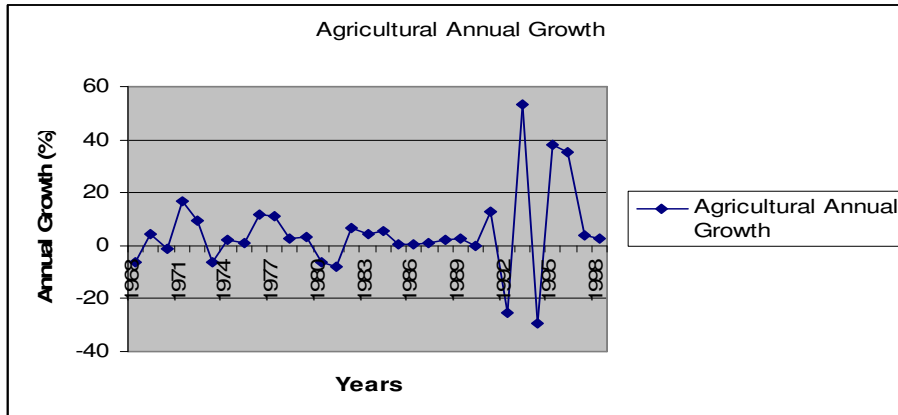
Data Source: World Development Indicators, 2000

As would be expected, the volatilities in the agricultural sector in the 1990s especially in 1994 could also partially be responsible for the poor performance of the manufacturing sector (see **Figure 1 and 2 above**). Since Malawi's foreign exchange is dependent on the agricultural exports which are heavily reliant on rains, any slight drought affects the level of export earnings hence foreign exchange which is important for servicing the manufacturing sector with imported raw materials.

More important but sad to note has been the decline of the tradable sector (the country's main cash crops of tobacco, tea, and sugar) which has been the centre of adjustment reforms in the agricultural sector i.e. to promote export commodities as well as raw materials into the value adding industry (see World Development Movement, p. 21).

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[8] Malawi Government. (1999). '*Policy Analysis initiative*'. Office of the Vice   President: Lilongwe, Malawi

Efforts to industrialise the Malawi agrarian economy though dismal, have been on the right track but lack intensiveness for fast realisation of the objective. As F**igures 4(a) and 4(b) below** indicate, the overall share of the agriculture sector in the economy has been declining while that of the manufacturing has been increasing. This trend ought to have been maintained although it is now becoming worrisome as manufacturing growth seems to have started to diminish from the late 1990's as the agriculture sector seems to regain its previous dominant position. The late 1990's trend, other than being an indication of problems with some economic parameters in the economy, could be a reflection of reversed priorities by the Malawi Government in supporting the agriculture sector more than the industrial sector and the possibility of the industrial sector facing stiff competition on the international market.

Figure 4(a): Agriculture as Percentage of GDP in Malawi, 1960-1998
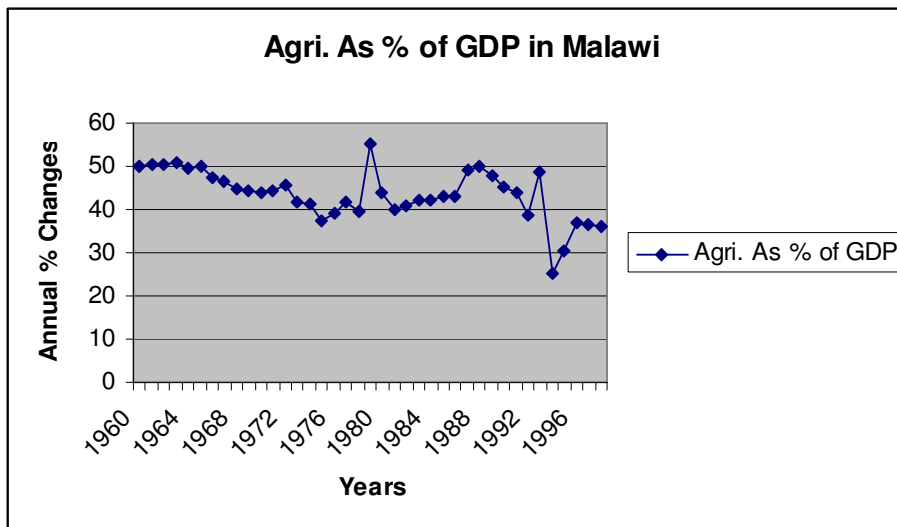
Data Source: World Development Indicators, 2000

Figure 4(b): Manufacturing Value Added as Percentage of GDP in Malawi, 1975-1998

Data Source: World Development Indicators, 2000

6.1.2 Domestic Savings and Investment Performance

According to Shaw (1973, p. 149), financial deepening is an important reform mechanism for attaining income, savings, investment, employment, and distribution effects that can assist in achieving economic growth.

Financial growth permits unification of the capital market. It reduces interregional and inter-industry differences in investment yields and increases mean yield. In the wider market, inferior investment opportunities have a smaller chance of competition for savings at each bond of interest. Moreover, policies that induce financial growth diminish uncertainty regarding forward rates of return on both physical and financial assets so that more rational choice can be made between short lived and durable instruments. The temporal widening of the capital market and the liberalisation of interest rates from low ceilings can moderate the investment dualism that is sometimes apparent in lagging economies, with deep investment where real rates of interest are held administratively at low or negative levels and shallow investment where rates of interest are free to reflect savings scarcity (Shaw, 1973, p 75).

Financial growth is conducive in other ways to more discriminating choice between investment alternatives within the economy sectors or within the manufacturing

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sector. Larger lumps of investment are feasible in the private sector where savings are pooled in financial markets. Diffusion of superior technologies can be faster on the basis of information and experience that is accumulated in financial institutions, and complementaries between investments may be exploited more quickly than is possible on segmented capital markets. Integration of capital markets is the basis for the integration for labour, land, and product markets with benefits from more effective utilisation of resources and from economies of scale and comparative advantage in outputs, and the result again is to improve the mix and mean yield of capital formation.

Lack of adequate financial deepening in Malawi as partially reflected in the decline of domestic savings and investment as shown in **Figure 5 below,** has been key to the decline of the manufacturing sector. Complementarily, the decline in domestic savings could be due to the constant rise in the inflation rates in Malawi that were increasing each year from 11% in 1981 peaking at 83% in 1995[9]. This meant capital flight and lack of confidence in money investments by the public as their funds' value were subject to erosion by the high inflation levels. Malawi being a net importer, such high inflation could have arisen, amongst other reasons, from the exchange rate devaluations that characterised the SAP period that meant expensive imported products and raw materials for the economy.

Figure 5: Gross Domestic Savings in Malawi
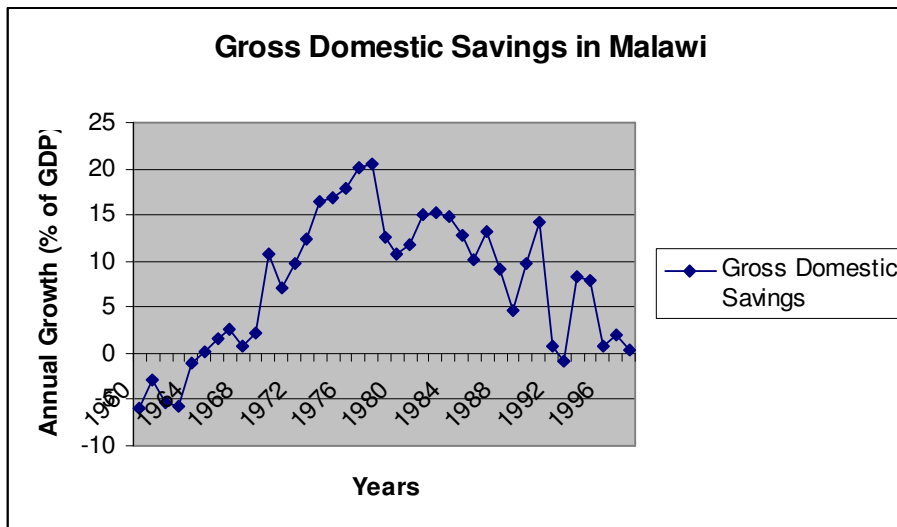
Data Source: World Development Indicators, 2000

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[9] Calculated from World Development Indicators, 2000

The effects of lower savings were easily passed onto the local banks as they started to charge higher interest rates averaging 24% annually during the SAP implementation period leading to fewer industrial firms and the economy at large having the ability to access the expensive loanable funds in the banks. The banks were now preying on government which had no choice but to constantly borrow to finance its budget deficits hence crowding out the private sector further. ***Figure 6 below*** shows declining credit available to the industrial sector from the banking sector right from 1981 when the first SAP was introduced.

Figure 6: Credit Provided to the Industrial Sector by Banks in Malawi
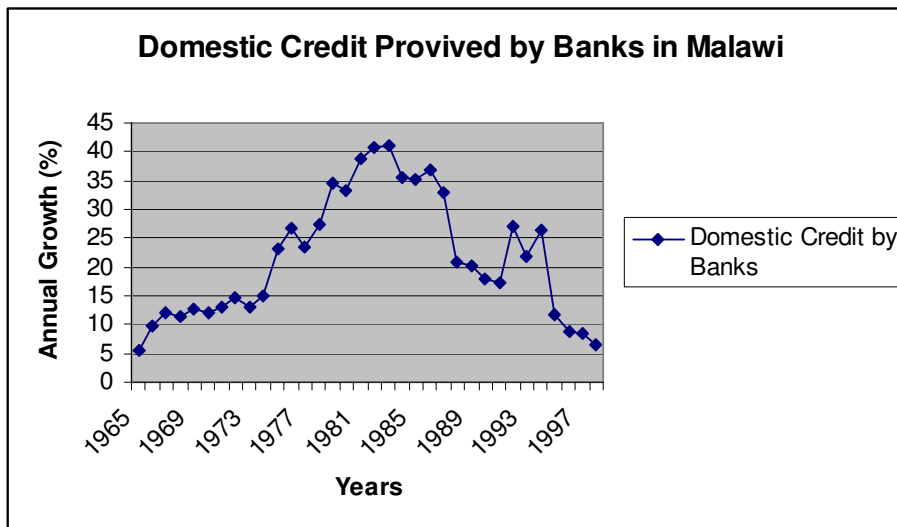
Data Source: World Development Indicators, 2000

Industrial firms responded to declining credits and the inflationary environment by not investing in the country. Since 1981, a worrisome trend can be observed in **Figure 7 below** whereby domestic investment nose-dived just after the first SAP's implementation in 1981.

Figure 7: Gross Domestic Investment in Malawi BEFORE SAPs (1960-80) and DURING SAPs (1981 to 1998)
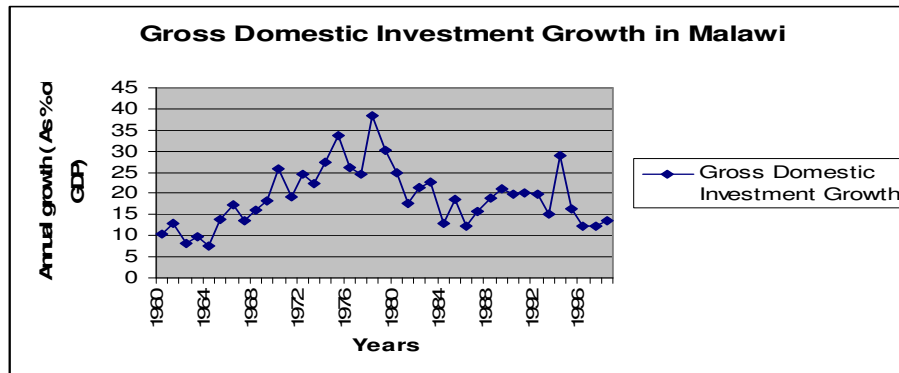
Data Source: World Development Indicators, 2000

Although new growth theories remind us of the numerous determinants of industrialisation and economic growth in general, domestic investment and savings are some of the most robust determinants of industrial growth (Mkandawire, 1999, p.9). The above trends in domestic savings and investment in Malawi, therefore, explain much of the decline in manufacturing industry and economic growth during the SAP period. **Figure 7** shows that between 1965 and 1980 (pre-SAP period), levels of investment in Malawi increased and compared favourably to those of other developing regions, especially those without central planning. According to Chisala (1990), up to 1975, much of Malawi's investment was financed with domestic savings thus savings and investment during the period were relatively highly correlated (see **Figures 5** and **7**). However, besides SAPs, lower savings and disinvestment in the period beginning 1980 was largely due to capital flight emanating from fears of winds of nationalisation of private investment by most independent nationalistic governments. Secondly, Chisala et al (1990) indicate that SAPs did not fully target domestic investment growth in its financial liberalisation reform package in Malawi. This continued way into the late 1990's when reforms under the Poverty Reduction and Growth Facility (PRGF) introduced financial liberalisation reforms aimed at making available cheap credit for industrial sector expansion and new investments (Malawi ESAF Framework Paper, 2001, p.3). These reforms included opening up the financial market to competition by the introduction of the Financial Liberalisation Act in the early 1990's. Up until the mid-1990, for example, there were only two big banks in Malawi, National Bank and Commercial Bank that could offer sizeable loanable funds to the industrial sector with only one big insurance company, National

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Insurance Company (NICO). The analysis clearly shows that higher levels of investment and savings, both public and private, will need to increase significantly if sustainable manufacturing is to be achieved in Malawi. To this end, the efforts to restore financial stability and the timely implementation of structural reforms aimed at increasing investment opportunities for the private sector will be crucial.

6.1.3 Insurance and Financial Services Performance

Related to improving growth of domestic investment and savings which are key economic variables for industrial growth, economic reforms in Malawi also aimed at improving utility services (financial and insurance), strengthening market competition in the agricultural, industrial and financial sectors while liberalizing further on external trade. As Gersovitz (1988, p. 382) rightly notes, Savings and investment allow for growth in income and increases in consumption but the availability of insurance services has a great influence on the saving, lending, and investment decisions by individuals, banks and manufacturing firms. Further, according to Newlyn (1977, p. 27), the role of the Non-Banking Financial Institutions (NBFIs) like insurance firms, is to help in financial deepening through mobilisation of idle bank balances of savers and make them available for financing deficit expenditure and investment in the manufacturing sector while providing cushions for rational business decisions in risky business environments of developing countries. Generally, therefore, insurance plans, mutual and pension funds, and financial intermediation of various kinds are very important as they are complementary with the banking sector as well as the monetary system (Shaw, 1973, p. 141).

On a positive note, the SAPs in Malawi, helped to ensure stability in the industrial insurance and financial services growth unlike the constant sharp decline in the period that preceded the SAPs (see **Figure 8 below**).

**Figure 8:   Industrial Insurance and Financial Services Growth in Malawi
BEFORE SAPs (1960-80) and DURING SAPs (1981 to 1998)**
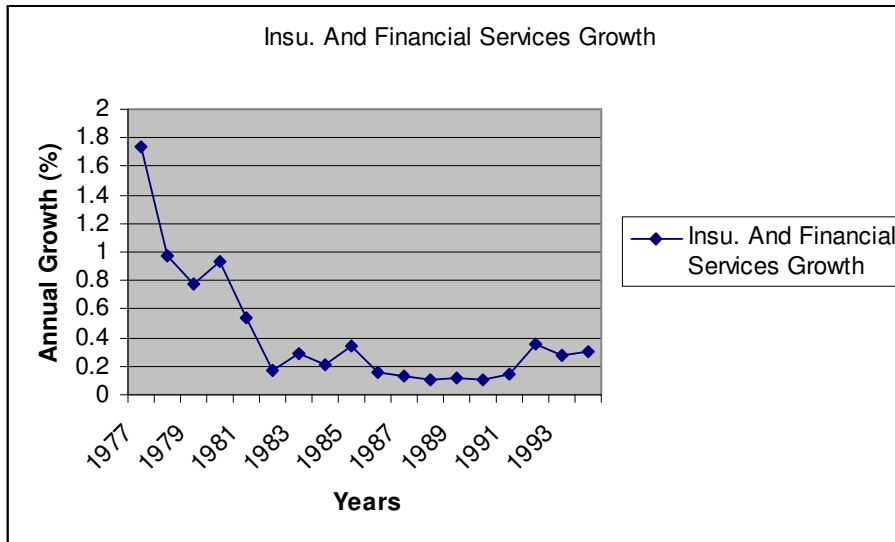
Data Source: World Development Indicators, 2000

The stability and growth of insurance and financial services in the later years of the 1990's as shown in **Figure 8 above**, is promising for the Malawi economy if such a trend is sustained. Reversing the sharp decline that characterised especially the insurance sector in the period before SAPs does not only mean increased support services/infrastructure available for the manufacturing sector's thriving but is also crucial in presenting a non-risky business environment for manufacturing sector expansion and new investments.

6.1.4 Analysis Summary

The analysis above has shown that the key economic parameters targeted by the Structural Adjustment Programme, have not very significantly contributed to changes in manufacturing growth in Malawi. This could suggest that the situation may not have been any different in the absence of the structural reforms. Nevertheless, the sharp decline in these key variables during the SAPs period as reflected in almost all the figures above can not be mere coincidence. This analysis is hence very important in providing an analytical performance of the manufacturing sector in Malawi both during and before the implementation of economic reforms.

Almost all the key economic parameters under study had their relationship to industrial growth declining. This is worrisome and may be responsible for the insignificant growth of the manufacturing sector during the SAP period. Factors like gross domestic savings, foreign direct investment, gross domestic savings, insurance and financial services have been declining all along the SAP period hence providing a non-conducive environment for industrial firms that would have plans to expand their operations. Further to it has been the increasing real interest rates which are an indication of the persistent inflation that has not been tamed with the resultant effect of increasing the cost of doing business by the firms. Such high inflation and the dismal growth in supportive financial and insurance services could also be partially responsible for the reduction in foreign direct investment to Malawi during the SAP period.

The deterioration in domestic investment levels and declining foreign exchange levels that led to more and more devaluations in the 1980-90 period is partially a direct result of the government's heavy social sector expansion with the aim of redressing colonial social and economic injustices (World Development Report, 2001). This made government to go into massive borrowing to sustain the investments when it was faced with declining export earnings due to the world's economic recession of the 1970's. With very few soft loan international windows left open, Government relied on domestic borrowing hence crowding out the private sector further. This resulted into poor manufacturing industry growth and generally low levels of economic growth.

7 Conclusion

This study has found out that SAPs have not significantly assisted in improving manufacturing growth in Malawi as evidenced by manufacturing growth volatilities and a declining low annual growth rate of 4% during the SAP implementation period compared to 6% before SAPs. However, although there has not been much significant production shift from agriculture to industry as was the thrust of the structural adjustment the manufacturing sector's share of GDP has been rising over the SAP implementation period while that of agriculture especially the tradables has been

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declining giving hope for a structural move towards industry. The structural adjustments have helped to reduce the share of agriculture in GDP from 46% before SAPs to 41% in the SAP period while increasing the share of manufacturing from 16% to 23% during similar periods.

Despite the economy shift towards the industrial sector, however, real GDP growth has been both volatile and declining, averaging only 2.5% per annum during the entire SAP implementation period unlike the vibrant 6% per annum before SAPs (see **Figure 9 below**). This only shows how much little effect the SAPs have had in reversing the declining trend of the Malawi economy whose trend of growth still largely remains determined by the agricultural sector's performance(see **Figure 3 above**). Malawi has continued to produce more and more volumes of agricultural produce for exports and yet due to declining terms of trade, the export values have been very small to assist in bringing the economy back on track.

Figure 9: **Gross Domestic Product Growth in Malawi in the BEFORE SAPs (1960-1980) and DURING SAP (1981-1998)**
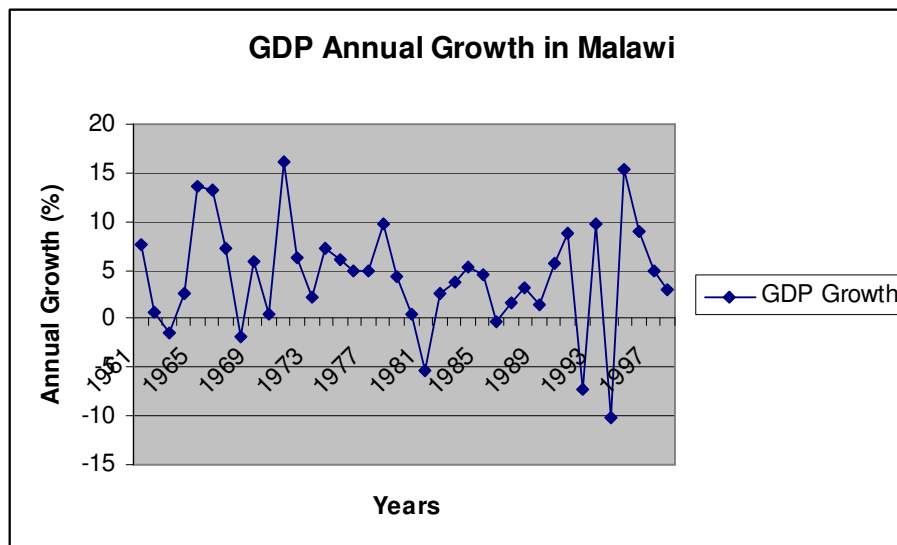
Data Source: World Development Indicators, 2000

The study further reveals that despite the SAPs having assisted in improving manufacturing growth in Malawi, the sector's growth has been characterised with incessant volatilities especially in the later part of the 1990's when Malawi's traditional donors were withholding economic reform funds due to the government's

failure to meet key economic stabilisation targets of low inflation, low interest rates and prudential spending[10]. Malawi, being an agrarian economy that is dependent on external factors like weather changes and international terms of trade, faces volatilities in the key economic parameters of exchange rate movements, inflation, interest rates according to the availability of foreign exchange at various times of the year. This has made sustainable industrial growth difficult. Unless Malawi moves into more non-agricultural related manufacturing industries coupled with intensified lobbying with other developing countries for better terms of trade on the international market for both its primary and manufactured commodities, its agro-based manufacturing industry growth will not be sustainable.

The analysis then clearly indicates that for Malawi to achieve accelerated levels of industrial growth, particularly manufacturing, she needs to intensify economic reforms that aim at improving the growth levels of foreign direct investment, gross domestic savings, industrial investment insurance and financial services. On the other hand, it needs to implement fiscal and monetary policies that will arrest inflation and ensure market levels for interest rates that would encourage both public savings as well as domestic investments by both local and foreign firms. This will ultimately lead to sustainable GDP growth which also has a cause and effect relationship on industrial growth especially with regard to inducing increasing economies of scale (see Kaldor, 1996).

8 Recommendations

8.1 In order to draw meaningful government interventions and sound implementation of SAPs, it is important to conduct a micro-level study on firms so as to find out how SAPs have so far impacted on industrial firm's technical efficiency, capacity utilisation, allocative efficiency, market attaining distributive efficiency, labour efficiency. While the above economic features may not have been attained in the short-run, the study would help in identifying if economic reforms are in the right track of helping to achieve one of their main purposes of economic efficiency.

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[10] Action Aid (June, 2002).State of Disaster, Causes, Consequences and policy Lessons from Malawi. Also quoted in World Development Movement Report (2001, p. 16).

8.2 Ideal SAPs should have well-designed and properly implemented interventions focused on the main market failures. Thus sweeping liberalisation can easily replace government failures by market failures unless they are accompanied with better designed interventions. In this regard, the Malawi government should insist on efficient interventions in the market by facilitating the allocation of resources to the various productive sectors of the economy in order to establish strong forward-backward linkages necessary for industrial growth.

8.3 The Malawi Economic Growth Strategy development process undergone in 2003-04, showed that there is consensus among policy makers and industrialists on the need for clearly targeted policies favourable to the expansion and growth of the industrial sector. Thus analysts inside and outside government agree on the need for further investment, fiscal discipline, realistic factor prices, reformed public sector enterprises- to promote industrial growth and development in Malawi. However, this needs to be supported by the development of a clear and separate industrial policy to champion industrialisation. The formation of the new Ministry of Industry in early 2004 is a pointer in the right direction.

8.4 There is strong need for protecting infant industry in Malawi. However, as alluded to earlier, an efficient industrial policy has to be drawn ensuring limited protection in extent and duration or else it will produce little learning, general inefficiency, lack of industrial dynamism and loss of welfare to consumers. The most efficient combination will be one which blends domestic protection with strong export orientation. That way, the protected firms will be pushed to enter world markets. Actually, this is the dividing line between import substitution strategy and the experience of aggressive export oriented regimes of East Asia where the learning experience was promoted in an effective and dynamic free trade regime. Most of this experience can be applied to Malawi, especially in acknowledging that learning is costly.

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Appendices

(Can be obtained from author upon request)

Appendix 1: Changes in Some Key Macroeconomic Variables BEFORE SAPs: 1960-1980

Appendix 2: Changes in Some Key Macroeconomic Variables DURING SAPs: 1981-1998

Appendix 3: Changes in Socio-Economic Indicators in Malawi BEFORE SAPs: 1960-1980

Appendix 4: Changes in Socio-Economic Indicators in Malawi DURING SAPs: 1960-1980