



M. ANNE PITCHER

# PARTY POLITICS AND ECONOMIC REFORM IN AFRICA'S DEMOCRACIES

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M. ANNE PITCHER

*University of Michigan*



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## Party Politics and Economic Reform in Africa's Democracies

In *Party Politics and Economic Reform in Africa's Democracies*, M. Anne Pitcher offers an engaging new theory to explain the different trajectories of private sector development across contemporary Africa. Pitcher argues that the outcomes of economic reforms depend not only on the kinds of institutional arrangements adopted by states in order to create or expand their private sectors but also on the nature of party system competition and the quality of democracy in particular countries. To illustrate her claim, Pitcher draws on several original datasets covering twenty-seven countries in Africa and detailed case studies of the privatization process in Zambia, Mozambique, and South Africa. This study underscores the importance of formal institutions and political context to the design and outcome of economic policies in developing countries.

M. Anne Pitcher is professor of political science and African studies at the University of Michigan. She is the author of *Transforming Mozambique: The Politics of Privatization* (Cambridge 2002) and *Politics in the Portuguese Empire: The State, Industry, and Cotton, 1926-1974* (1993). She co-edited *African Postsocialisms* with Kelly Askew (2006), and her articles have appeared in *Comparative Politics*, the *Journal of Modern African Studies*, *African Studies Review*, and *Politique Africaine*, among other publications. In 2003-2004, she was a Fellow at the Woodrow Wilson International Center for Scholars in Washington, D.C. To explore patterns of political and economic reform across Africa, she has conducted extensive research in Mozambique, South Africa, Zambia, Angola, and Uganda.

## AFRICAN STUDIES

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## Acknowledgments

This study originated with my interest in comparing whether economic reforms adopted by African countries in the 1990s had become institutionalized over time. Having documented Mozambique's transition to a market economy in a previous work, I wanted to explore how other governments in Africa had coped with the multiple challenges of political and economic transformation. Did the formal institutions chosen by African governments to promote private sector development follow the prescriptions of the World Bank or did they reflect more domestic and more political considerations? Did parchment institutions implemented in the early 1990s look anything like the institutional arrangements that were operating by the mid-2000s or were they simply a veneer behind which African governments were practicing "business as usual" as the literature on Africa so commonly argues? And since many governments were also undergoing processes of democratization, how did the advent of multiparty politics affect economic reforms?

Similar to research on other regions where significant transitions have occurred over the last two decades, scholarly studies of political and economic reform in Africa are numerous. But I was surprised to discover that the literatures on multiparty politics and on market reforms hardly talk to each other in the context of Africa. To be sure, a number of scholars have attributed state collapse or political instability to the impact of neoliberal reforms. A few, especially in South Africa, have also suggested that party politics played a role in how privatization occurred or who benefited from it. But there has been little systematic, comparative examination of how party dynamics might have interacted with economic institutional choices to shape private sector development across Africa. This book is at once an effort to apply these two strands of research to an understanding of political and economic change in Africa and a plea for greater cross-fertilization between them.

Like most endeavors that are worthwhile, the crafting of this book has taken a long time. Extensive fieldwork in several African countries over the last decade greatly informed my understanding of political and economic reforms. Some of the places where I did research such as South Africa, Mozambique, and Zambia serve as case studies in the book. Others such as Uganda and Angola did not become cases; nonetheless, my experiences in those countries greatly informed my thinking about reform. I would like to thank especially those representatives of trade unions, business associations, governments, international financial institutions, nongovernmental organizations, and civil society groups who took time out of their busy schedules to share their knowledge and experiences of economic reform with me. I cannot begin to express my gratitude for their insights.

As anyone who has conducted fieldwork knows, a successful research experience often depends on the kindness of strangers and the generosity of friends. I want to express my deep appreciation for the research assistance I received from Benedito Machava in Mozambique and Lilian Muchimba in Zambia. Benedito's intellectual curiosity and his powers of observation demonstrate that he will make a fine scholar. I would also like to thank many colleagues in Zambia, Mozambique, and South Africa who welcomed me into their homes, gave me dinner or a place to sleep, and commented on my research. In Zambia, James Matala, Kathy Sikombe, Neo Simutanyi, and Andrew Sardanis shared insights about party politics and economic development that greatly helped me to conceptualize the project at an early stage in the research. In South Africa, Sakhela Buhlungu, Sean Jacobs, Cecil Madell, Tembakazi Mnyaka, and Trevor Ngwane were very generous with their time and their suggestions regarding some of the main arguments in the book. My dear friend, Doug Tilton, lifted my spirits and looked after me every time I was in Johannesburg. In Mozambique, the diverse points of view on private sector development expressed by Sid Bliss, Carlos Castel-Branco, Alexandre Munguambe, Boaventura Mondlane, Raul Sango, and Graeme White greatly informed my understanding of economic change there. Without their help and that of many others whom I met and interviewed during my research, the project would not have been as rewarding as it was.

It takes time and patience to digest fieldwork, to explore ideas fully, and to commit thoughts and theories to paper. I owe an enormous debt to the Woodrow Wilson International Center for Scholars in Washington, D.C., for granting me a fellowship in 2003–2004 just at the beginning of the research for this book. At WWICS, I was surrounded by a supportive scholarly community and engaging colleagues. I continue to cherish every moment of my time there and I am grateful for the help of my diligent and conscientious research assistant, Patrick Johnson. As the book progressed, Colgate University and the University of Michigan provided financial support and sabbatical leaves. In both places, students gave valuable help compiling references and checking data. In particular, I want to recognize the contributions of Courtney Dunlaevy,

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Two anonymous reviewers at Cambridge provided beneficial comments that greatly improved the manuscript. The enthusiastic endorsement of the project by my editor at Cambridge, Eric Crahan, gave me the confidence to complete it. Finally, I want to thank my family and my cats for reminding me that work does not love you back. I hope that I have given them as much love as they have given me.

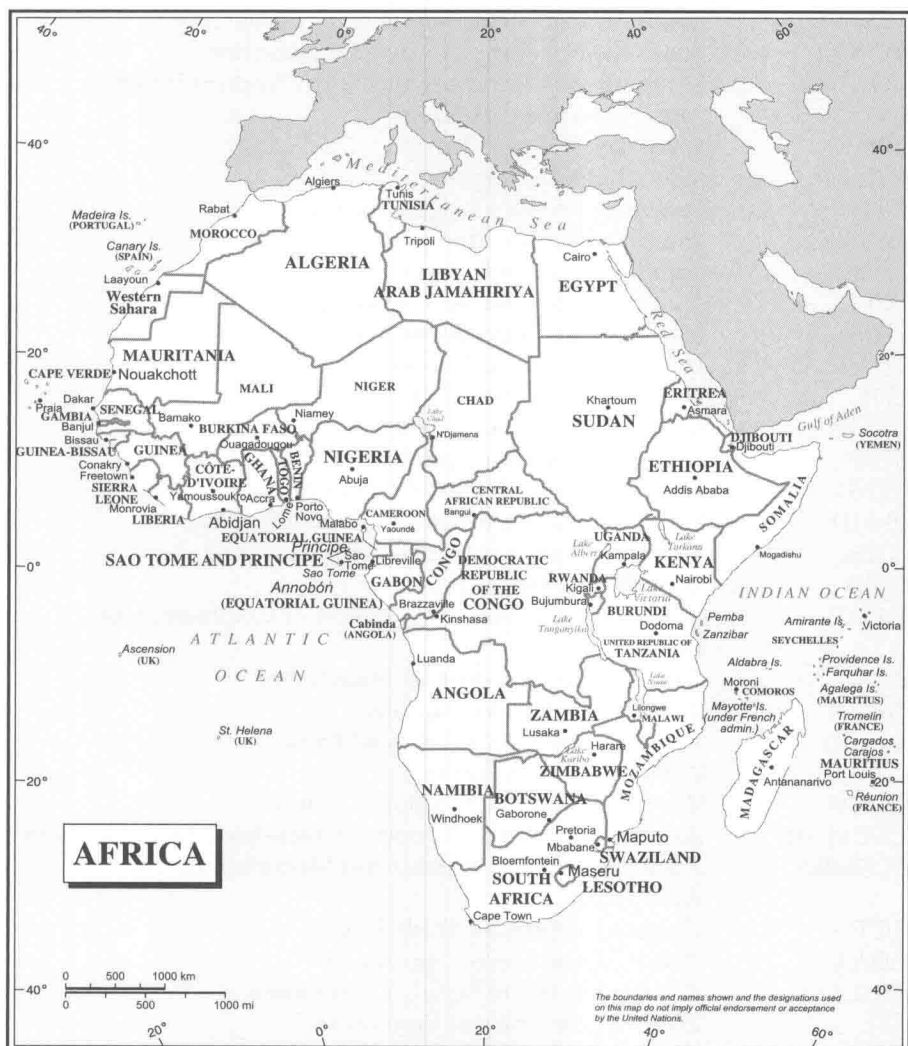


## Abbreviations

AG	Auditor General
AHI	Afrikaanse Handleinstituut
AIM	Mozambique Information Agency
ANC	African National Congress
APF	Anti-Privatization Forum
ASGISA	Accelerated and Shared Growth Initiative for South Africa
BAZ	Bankers Association of Zambia
B-BBEE	Broad-Based Black Economic Empowerment
BCP	Botswana Congress Party
BEE	Black Economic Empowerment
BID	Business Improvement District
BMF	Black Management Forum
BUSA	Business Unity South Africa
CC	Central Committee
CCT	Consultative Labor Council
CDC	Commonwealth Development Corporation
CFM	Mozambique Ports and Railways Company
CID	City Improvement District
CONSILMO	National Confederation of Free and Independent Unions of Mozambique
COPE	Congress of the People
COSATU	Congress of South African Trade Unions
CPI	Center for Investment Promotion
CTA	Confederation of Economic Association
DA	Democratic Alliance
DPE	Department of Public Enterprises
EPWP	Expanded Public Works Program
EU	European Union

FDD	Forum for Democracy and Development
FDI	Foreign Direct Investment
FPTP	First Past the Post
Frelimo	Front for the Liberation of Mozambique
GDP	Gross Domestic Product
GEAR	Growth, Employment, and Redistribution
IFI	International Financial Institution
IFP	Inkatha Freedom Party
IGEPE	Institute for the Management of State Shareholdings
IMF	International Monetary Fund
INE	National Institute of Statistics
IRAI	International Development Association Resource Allocation Index
JSE	Johannesburg Stock Exchange
KZN	Kwazulu-Natal
MBO	Management Buyout
MCEL	Mozambique Cellular
MDM	Mozambique Democratic Movement
MIC	Mineworkers Investment Company
MMD	Movement for Multiparty Democracy
MPD	Movement for Democracy
NDC	National Democratic Congress
NEC	National Executive Committee
Nedlac	National Economic Development and Labour Council
NGO	Nongovernmental Organization
NPP	National Patriotic Party
OPE	Office of Public Enterprises
OTM	Organization of Mozambican Workers
PAICV	African Party for the Independence of Cape Verde
PBC	Produce Buying Company
PF	Patriotic Front
PHI	Presidential Housing Initiative
PIC	Public Investment Corporation
PNT	Privatization Negotiation Team
PPP	Public-Private Partnership
PSDRP	Private Sector Development Review Program
RDP	Reconstruction and Development Program
Renamo	Mozambique National Resistance
RID	Residential Improvement District
SABC	South African Broadcasting Corporation
SACCAWU	South African Commercial, Catering and Allied Workers Union
SACP	South African Communist Party
SAHRWU	South African Railways and Harbor Workers Union

SAMWU	South African Municipal Workers Union
SANCO	South African National Civic Organization
SATAWU	South African Transport and Allied Workers Union
SIH	Sanco Investment Holdings
SNP	Seychelles National Party
SOE	State-Owned Enterprise
SPPF	Seychelles People's Progressive Front
Tazama	Tanzania Zambia Mafuta Pipeline
Tazara	Tanzania Zambia Railways
TCLC	Tripartite Consultative Labour Council
TDM	Mozambique Telecommunications
UDA	United Democratic Alliance
UDF	United Democratic Front
UNDP	United Nations Development Programme
UNIP	United National Independence Party
UPND	United Party for National Development
USAID	U.S. Agency for International Development
UTRE	Technical Unit for Enterprise Restructuring
WTO	World Trade Organization
ZACCI	Zambia Association of Chambers of Commerce and Industry
ZAM	Zambia Association of Manufacturers
Zamtel	Zambia Telecommunications
Zanaco	Zambia National Commercial Bank
ZBF	Zambia Business Forum
ZCCM	Zambia Consolidated Copper Mines
ZCCM-IH	Zambia Consolidated Copper Mines-Investment Holdings
ZCSMBA	Zambia Chamber of Small and Medium Business Associations
ZCTU	Zambia Congress of Trade Unions
ZDAA	Zambia Development Agency Act
ZESCO	Zambia Electricity Supply Corporation
ZFE	Zambia Federation of Employers
ZIBA	Zambia Indigenous Business Association
ZIBAC	Zambia International Business Advisory Council
ZLA	Zambia Land Alliance
ZNFU	Zambia National Farmers Union
ZNTC	Zambia National Tourism Council
ZPA	Zambia Privatisation Agency
ZSIC	Zambia State Insurance Corporation



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MAP 1. Sub-Saharan Africa.

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## Understanding Institutional Development in Africa

### *An Introduction*

For many countries in East and Central Europe, Latin America, and Asia, the implementation of political and economic reforms over the last quarter century has constituted a sharp break from the past. Words such as “transition,” “transformation,” “schism,” and “shock therapy” suggest ruptures of momentous proportions. Many countries have become democratic and adopted market economies. Prices have increased; imports have risen. Workers, consumers, and citizens now rely on blogs or newspapers, the ballot box, or street demonstrations to demand secure jobs, free elections, or fair trade.

In Africa, no less than in the former Soviet Union or Latin America, political and economic changes have been just as transformative. Many African governments now practice some form of democratic electoral politics and many citizens enjoy basic political rights and civil liberties that were denied to them just twenty years ago. To varying degrees, countries have also liberalized trade, set up investment centers, established stock markets, and passed privatization laws. Governments in Mali and Uganda have sold their parastatals to foreign and domestic investors. Malls, fast food restaurants, and cafes selling flavored coffees have sprouted up from Kampala to Cape Town. A dizzying array of consumer goods are hawked on the streets of Lagos or displayed in upscale shops in the northern suburbs of Johannesburg.

As in Europe or Latin America, transition in Africa has come with costs. Fraud and violence have marred elections in Kenya, Madagascar, and Zimbabwe; citizens in Senegal and Mozambique are less enthusiastic about democracy today than they were just a few years ago.<sup>1</sup> Political parties are poorly

<sup>1</sup> Afrobarometer Survey Findings, “Summary of Results, Round 3 Afrobarometer Survey in Senegal, 2005” and “Summary of Results, Round 3 Afrobarometer Survey in Mozambique, 2005,” question 47; “2008 Round 4 Afrobarometer Survey in Senegal” and “2008 Round 4 Afrobarometer Survey in Mozambique,” question 43, compiled by Michigan State University, accessed 9/7/2010, <http://www.afrobarometer.org>.



organized in many countries, and many of them prefer to rely on patronage or threats instead of programmatic manifestos to gain votes. Furthermore, the shift to market economies has produced rising inequality, a decline in formal sector employment, and increased casualization of the workforce. In Mali, Madagascar, Mozambique, Niger, and Zambia, more than half the population lives below the poverty line: formal sector employment now constitutes a mere fraction of total employment in these countries. Even in South Africa, which is routinely cited as the most developed country south of the Sahara, nearly half of the economically active population is un- or underemployed. Like their counterparts elsewhere, citizens across Africa have thus demanded better representation and greater equity. Facing rising prices for basic amenities such as food, water, and electricity coupled with bleak prospects for a stable and sustainable income, they have used the available political space to articulate and advance their interests.

Although countries in Africa have experienced changes as profound as those in Latin America or East Central Europe, the scholarly literature on political and economic transition has treated the changes in Africa unevenly. As the book will discuss, African countries are well represented in studies that explore why transitions to democracy have occurred; whether democracy is likely to become institutionalized; how varied patterns of democracy have been; and what types of political parties exist. However, theoretical and comparative work on the development of economic institutions or the relationship between political and economic reforms in Africa has been limited. Whereas in Latin America and East Central Europe, scholars have asked how formal and informal institutional arrangements shape the economic preferences of individual and collective players, what credible commitments look like and how they are made, and why some governments stick to the rules while others abuse their discretionary authority, most of these questions remain unanswered and under-theorized in the literature on Africa.

This book contributes to comparative scholarship on transitions by examining how new formal institutions and fluctuating political dynamics have interacted to shape the process of economic reform in African countries over the last two decades. Focusing specifically on privatization – one of the most controversial and far-reaching of the economic reforms adopted by transitional, developing countries – I discuss the institutional arrangements enacted by African governments in order to create or expand their private sectors. Tracking their development over time, I assess the effectiveness of new institutions alongside continued uses of discretionary power by the state. Further, I explore the distributional conflicts triggered by the implementation of privatization and how democratic governments have resolved them. I demonstrate that differences in the quality of democracy and the nature of the party system combined to influence divergent trajectories of institutional development in Africa.

Briefly, my argument is the following. Much of the conventional wisdom on the role of formal institutions in Africa claims that governments consistently