DEMOCRATICALLY-CONTINGENT TECHNOCRACY:
INDEPENDENT BUREAUCRACIES AND THE POLITICS OF PRIVATIZATION IN AFRICA

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Abstract

This paper examines the impact of independent technocratic agencies on the politics of economic liberalization in developing countries. Because the process of privatizing state-owned enterprises (SOEs) in developing countries is complex and contentious, the conventional wisdom of the “Washington Consensus” over economic development is that technocrats housed in independent agencies are best suited to carry out privatization. Free from political interference, technocrats are expected to privatize SOEs based on professional calculations, not political considerations. This expectation has rarely been subject to empirical investigation, however. In this paper we argue that the effects of independent agencies on privatization of SOEs depend on the democratic contexts in which they operate. The subjects of our study are Sub-Saharan African countries that were engaged in SOE privatizations during the 1990s and early 2000s. We begin with case studies in four countries to examine the roles of technocrats in the privatization process. We find that technocrats in independent agencies were effective under autocratic regimes, but were responsible for instability and backlash in more democratic countries. Technocrats were more successful at undertaking liberalization when they were less insulated and more directly engaged in the political process in democratic contexts. Based on these case studies, we develop a model of agency independence as a signal of credible commitment by a government to international and domestic political actors. We test our model with a time series analysis of the impact of independent agencies on the extent of SOE privatization in 24 African countries. Our results contravene the conventional wisdom that supports technocratic insulation, affirm the importance of bureaucratic engagement in the democratic policy process, and culminate in a more nuanced theory of technocracy-in-democracy.

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Introduction

This paper examines the impact of independent technocratic agencies on the politics of economic liberalization in developing countries. Arguments about the value of technically competent, politically neutral, independent bureaucrats have a long lineage in political science. Hegel promoted the creation of a public bureaucracy with “specialized knowledge” (Cumings 1999, 85) and Weber (1978) grounded one of his ideal types of legitimate domination in the exercise of rational legal authority by bureaucrats. Woodrow Wilson (1887) famously sought to divorce public administration from politics in both theory and practice in hopes of freeing the former from the grips of the latter. After Chalmers Johnson (1982) highlighted the important role played by bureaucrats in the growth and the development of the post-World War II Japanese economy, the ideal of dispassionate, technically competent bureaucrats gained traction among advocates of economic liberalization in developing countries. Although they eschewed other elements of Johnson’s analysis of the Japanese miracle (such as the role of the state in nurturing infant industries), neoliberal policymakers and academics seized on the notion that reforms would be more successful if those who implemented them were trained “technocrats” sufficiently insulated from the push and pull of everyday politics to competently carry out their mandates (Williamson 1993; White and Bhatia 1998).

New bureaucratic agencies proliferated in connection with the adoption of economic policy reforms during the 1990s and early 2000s when the neoliberal “Washington Consensus” was at its zenith. Independent central banks and privatization commissions were especially common among the raft of new agencies to emerge in developing countries during this era. At least four related ideas—sometimes explicit, often implicit—underlay the creation of these new bureaucracies. First, the process of economic liberalization is complex, requiring a high degree of technical acumen. The existence of an agency comprised of trained technocrats is expected to
increase the likelihood that the process of liberalization will be concluded quickly and successfully (White and Bhatia 1998; Kayizzi-Mugerwa 2003). Second, independent bureaucracies are supposed to be a hedge against coalitional drift (Shepsle 1992): if a party in power changes hands or the government collapses, the existence of an agency increases the possibility that the process of economic liberalization will continue. Third, independent bureaucratic agencies signal to investors that a government has made a credible commitment to economic liberalization (Brune, Garrett and Kogut 2004). Fourth, insulating technocrats in an independent agency is expected to shield the process from rent seeking politicians or the distributional pressures of the reform’s domestic losers (Waterbury 1992).

Are independent technocratic agencies effective in quelling conflict and delivering results? Do independent agencies conform to the theoretical models on which they were based? Do professionally-managed, politically-insulated agencies demonstrate a credible commitment to liberalization that increases the likelihood that economic reforms are carried out? To date, most theoretical and empirical research on technocratic administration of economic reform has focused on independent central banks and, to a lesser extent, on regulatory agencies in developing countries (Goodman 1991; Cukierman 1992; Franzese 1999; Broz 2002; Hallerberg 2002; Gilardi 2007). By contrast, very little empirical work has examined the role of “technocratic change teams” (as Waterbury (1992) calls them) in the privatization of state-owned enterprises (SOEs).

Moreover, research on the political economy of liberalization in the developing world has focused mostly on the relationship between national governments and international development organizations like the World Bank (WB) and the International Monetary Fund (IMF). Comparatively little is known about the domestic effects of governments’ adoptions of the institutions favored by international economic organizations. Especially conspicuous by its
absence is research on the relationship between technocratic institutions and democratic development. As waves of democratization and economic liberalization swept across Africa, Bienen and Herbst (1996) warned that tensions between political and economic reform would complicate and possibly frustrate both processes. Freeman’s (2002) call to study the tensions and tradeoffs between technocracy and democracy in central bank monetary policy has not received much attention in the literature on monetary policy and central bank institutions (but see Broz, 2002 and Stasavage 2003). Much less is known about the relationship between other economic liberalization agencies and democratization in the developing world. In which political contexts do insulated agencies work best or worst? Do insulated bureaucratic agencies force tradeoffs between efficiency and accountability that affect reform outcomes?

The present study addresses these issues, and in so doing develops a new theory of bureaucratic politics. We examine the relationship between technocracy, democracy, and economic liberalization by analyzing the effects of independent bureaucratic agencies on the politics of privatization in Africa. Our inquiry begins with nested case studies of the SOE privatization process in four African countries. The privatization experiences in these four cases demonstrate that the effects of technocratic agencies on privatization of SOEs depend greatly on the political contexts in which they operate. Independent technocratic agencies can be highly effective in privatizing SOEs under relatively authoritarian political systems: under authoritarian conditions, investors regard the state’s commitment to privatization as highly credible, and political conditions allow for little effective resistance by opposition groups. However, in more democratic contexts, highly independent privatization agencies are less effective, and indeed can generate a political backlash that stymies both liberalization campaigns and democracy itself. Technocrats in more democratic conditions were most successful when they were less insulated and more directly engaged in the political process.
Based on these cases studies, we develop a “grounded theory” (Glaser and Strauss 1967) of democratically-contingent technocracy. We begin by recognizing that independent agencies build technocratic capacity for carrying out privatization of SOEs. Then, invoking Putnam’s (1988) logic of “two-level games,” we cast a state’s creation of an independent privatization agency as a simultaneous signaling model in which a government seeking to privatize its SOEs signals its commitment to both investors and a domestic political audience. If investors and creditors regard the signal as credible, they respond by investing in former SOEs, as previous research suggests. However, if domestic opposition groups also regard the signal as credible, they may protest privatization to the extent that they believe that such protests are likely to slow or halt the privatization. The government’s payoff in actual privatizations depends on the responses of both audiences. We derive hypotheses from our model, and then test it with a time series analysis of the impact of independent privatizations agencies on the extent of SOE privatization in 24 African countries from 1990 through 2005.

We find strong evidence in support of our theory: in direct effects models, independent agencies strongly increase privatization, highly independent agencies have a greater effect than less independent agencies, and democratization has negligible effect. However, interactive models demonstrate that the effects of independent agencies decline as democracy increases. This contingent effect of democratization is especially pronounced for countries with highly independent privatization agencies. Meanwhile, without privatization agencies, democratization is associated with greater privatization. Technocrats are still involved in the privatization process under democratic conditions, but they must work with and through pluralistic interest group. The result is a democratically-contingent technocracy, in which the effects of agency independence on outcomes depend upon the democratic context in which technocrats work. Our results contravene the conventional wisdom of insulated, professional bureaucracies that were
part of the Washington Consensus, affirm the importance of bureaucratic engagement in the
democratic policy process, and culminate in a more nuanced theory of technocracy-in-
democracy.

We begin by tracing the emergence of independent, professional bureaucratic agencies as
mechanisms of economic liberalization in Africa, and then review the theoretical and empirical
literature on agency independence as an economic development institution. Informed and guided
by existing research, we then study the process and outcomes of SOE privatization initiatives in
the 1990s and early 2000s in Uganda, Nigeria, Zambia, and South Africa. A theory of
bureaucratic agency independence and its effects on the domestic politics of SOE privatization
emerges from these cases. We derive a series of hypotheses from our model, which we then
subject to statistical testing with a time-series analysis of a larger sample of African countries.
We conclude by identifying directions for future research and discussing the theoretical and
practical implications of our findings for economic liberalization and democratization in the
developing world.

**Insulated agencies and economic liberalization**

During the 1980s, many developing countries began adopting policies aimed at economic
liberalization (Haggard and Maxfield 1996; Henisz, Zelner and Guillen 2005). Broadly
reflecting the predominant sensibilities of economists and international development
organizations, these Washington Consensus reforms included fiscal discipline, rigorous
enforcement of property rights, marginal tax reductions, international trade liberalization,
increased foreign direct investment, deregulation, currency stabilization, and privatization of
SOEs (Williamson 1990, 2000). This liberalization movement reached its zenith in the 1990s
and early 2000s. Many of the reforms favored under the Washington Consensus were
technically complex and so required planning and administration by expert, professional
government bureaucrats.

While the technical capacity that professional bureaucrats offer are basic necessities for
effective economic liberalization, most recommendations regarding the privatization of state
assets in the theoretical and policymaking literatures also highlight the importance of specially
designated independent agencies through which “technocratic change teams” may pursue
reforms (Waterbury 1992; White and Bhatia 1998; Kayizzi-Mugerwa 2003). According to
several theories, situating professional bureaucrats in statutorily independent agencies with clear
policy mandates offers at least four strategic political advantages to governments pursuing
economic reforms, they provide: 1) technocratic capacity; 2) a guard against drift; 3) a signal of
credible commitment; and 4) insulation from domestic pressures.

Technocratic capacity. Following in the traditions of Weber (1978) and Wilson (1887),
proponents of independent technocratic agencies argue that bureaucratic professionals who are
insulated from interference by parties, interest groups, and politicians will implement policy
changes in a timely, straightforward manner and make decisions about the valuation and sales of
companies on the basis of technical or financial, not political, considerations (Maxfield 1990;

Though the kinds of teams imagined by Waterbury and Williamson (1993) are ideal
types, some countries provide real models of reform implementation. For example, the success
of the “Chicago boys” at implementing structural adjustment in Chile in the 1980s fuelled the
assumption that technocrats working situated in strong, independent agencies were best placed to
deliver good economic policy (Silva 1991). International financial institutions such as the World
Bank and the IMF embraced this idea and subsequently recommended independent, technocratic
agencies to policymakers in East and Central Europe, Latin America and Africa, particularly
with respect to the implementation of privatization. Statutorily independent technocratic change
teams may avoid or minimize the distributional conflicts typically associated with the sale of
state enterprises to the private sector and instead follow the best policy practices favored by their
professional communities. Their insulation and technocratic focus are supposed to shield
technocrats from “losers” such as organized labor or parastatal managers who might try to derail
liberalization, or from rent-seeking politicians who prefer distributive policies over disciplined
monetary policy.

Insulated from groups that might have been negatively affected by the reforms, the
Chilean reform team of “Chicago boys” enacted a package of economic policies designed to
privatize SOEs rapidly and completely (da Silva, 1992; Huneeus, 2000). Several World Bank
evaluations of privatization processes in African countries criticize the role played by
privatization agencies in order to explain the difficulties with the implementation of
privatization. A qualitative assessment of on-going efforts to privatize SOEs in 10 African
countries, for example, observed that “Agencies generally suffer from a lack of sufficient legal
authority and insufficient resources, on the one hand, and from government interference and
delay, on the other.” (White and Bhatia, 1998: 2). Five years later, a study of nine African
countries noted that in order to privatize state owned enterprises, a number of governments set up
agencies but “few countries gave the agencies complete autonomy, and the composition of their
boards was steered to a large extent by the governments themselves” (Kayizzi-Mugerwa, 2003:
237). Not surprisingly, a 1998 study by the World Bank recommended that “…if the process is
to be efficient and transparent, a strong central agency should be established that is empowered,
independent, and provided with adequate resources” to carry out their missions professionally
(White and Bhatia, 1998: 2).
Put simply, bureaucrats in independent privatization agencies are supposed to proceed *professionally*—that is, in ways that are consistent with the norms, values, and methods sanctioned by fellow professionals outside of their own governments. This accountability to an external reference group is the essence of professionalism and the characteristic that distinguishes a professional agency from a classic bureaucratic agency (Wilson 1989). In this way, professional bureaucrats are not supposed to be neutral instruments of the state, but rather skilled practitioners who offer expert services to government “clients” (Wilensky 1964). For purposes of the present inquiry, the external “profession” to which technocratic change teams referred was the body of international development experts who were offering advice and loans to reformist governments during the period when neoliberalism or the Washington Consensus was at its height (Kogut and Macpherson 2008; United Nations, 2004).

**A guard against drift.** A second, related advantage of independent bureaucratic agencies for advocates of economic liberalization is that a high degree of technocratic independence helps guard against coalitional drift (Shepsle 1992; Epstein and O’Halloran 1994), especially in cases where a party in power is “electorally weak” and expects to lose the next election (Figueiredo 2002). That is, governments seeking to liberalize their economies in developing and emerging democratic countries may seek to “hard wire” their privatization program by setting it in the stone of a highly independent technocratic agency in anticipation of future politicians who might attempt to weaken or reverse it (Boylan 2001). Dargent (2011) has argued that potential conflict between parties and elites was an important cause of technocratic independence in the processes of economic liberalization in Colombia and Peru.

**Credible commitment.** A third advantage of independent agencies for proponents of economic liberalization follows from the first two: because technocrats situated in independent agencies are expected to act professionally and help sustain a pro-reform coalition, investors and
international finance institutions perceive the creation of such agencies as a sign of a government’s commitment to reform and ability to carry it out. Research on independent central banking institutions has shown that when governments empower independent central banks to manage monetary policy, investors regard these governments as “credibly committed” to controlling inflation and thereby protecting capital investments (Keefer and Stasavage 2002; Stasavage 2003). Buoyed by their confidence in a country’s commitment to liberalization, companies, individuals, and international lending institutions are in turn willing to invest more of their resources in that country. Private investment and economic development thus follows these institutional signs of commitment to liberalization. This logic of credible commitment underlies the shift by the IMF and the World Bank from relying solely on conditionality to stressing instead country “ownership” of policy reform in developing countries. According to this logic, countries that “own” or commit to policies are more likely to follow through with them (IMF 2001; World Bank 2002).

While the bulk of research on these institutional signals has focused on central banks, the justification for their insulation and autonomy similarly applies to privatization agencies. The creation of independent privatization agencies signals to potential investors that the government has made a credible commitment to privatize, and so investors are more likely to buy firms where such a commitment exists (Brune, Garrett and Kogut 2004). Likewise, the existence of a privatization agency indicates that a government has devoted sufficient technocratic resources to the privatization process, and reduces the risk that the government will abandon reform with a change of the party in power.

**Domestic pressures.** Although signals of credible commitment to privatization may be aimed at investors and international organizations, the logic underlying independent agencies is inexorably tied to domestic politics. Not surprisingly, government initiatives to privatize SOEs
are often controversial and their effects have been the object of a great deal of study by political scientists. For example, research on East and Central Europe, Latin America, and Africa has explored the process of privatization (Stark and Bruszt; 1998, 1999; Kolodko 2000), the impact of public opinion on the privatization process (Mengistu and Vogel 2009), the role of losers or insiders in blocking privatization (Nelson and contributors 1989; Birdsall and Nellis 2003), the role of early winners in stalling reforms (Hellman 1998) or shaping the process in their favor (Schamis 2002; MacLeod 2004), the ineffectiveness of aid by the IMF and the World Bank in bringing about privatization (Dollar and Svensson 1998; Dijkstra 2002), and the influence of political choices about privatization on economic outcomes (van de Walle 2001; Schamis 2002; Pitcher 2002).

Scholars have devoted very little attention, however, to how an agency mandated to undertake privatization might operate in a country that is also an emerging democracy. If the rationale behind the creation of an independent bureaucratic agency is to restrict influence by those affected by reforms, the practice contradicts one of the basic tenets of democracy. This contradiction is particularly problematic in the context of many developing countries, especially in Africa, because the processes of liberalization and democracy were occurring simultaneously but unevenly at the time that many agencies were created. Therefore, any theory of political economy that includes a role for professional technocrats must account for relationships between economic liberalization and democracy (Freeman 2002). Przeworski (1997) warned of the possible negative effects of technocratic insulation on democracy noting that “[a] technocratic policy style deprives the political forces of incentives to participate in democratic institutions and may threaten their consolidation” (82; see also Boylan 2001).

On one hand, as civil liberties and political rights expand, government administrative practices and policy decisions are subject to greater scrutiny by the media and watchdog groups,
which may slow or stymie efforts to carry out technocratic reforms. Citizens may rely on the ballot box or newly acquired rights to hold governments accountable for policy choices and their effects, which can lead to the coalitional drift discussed earlier. On the other hand, formal models of strategic interaction developed by Diermeier et.al. (1997) illustrate that guarantees of private property rights are more credible when they emerge from governments with more dispersed political power rather than those with more centralized power. This credibility follows because the outcome of bargaining over property rights in settings with more dispersed power are harder to reverse than in those where property rights have been dictated by decree or administrative fiat. A comparative, cross-national study of SOE reform in twelve developing and transitional countries by the World Bank (1995) concluded that reforms are more feasible in authoritarian regimes because they are relatively isolated from pressures, but that reforms are more credible in democratic countries because consensus is built beforehand. Gilardi (2007) suggests that the presence of many veto players in a state is functionally equivalent to delegation to an agency in demonstrating credibility; that is, the presence of many veto players may be just as good as creating a regulatory agency. Since the status quo is likely to prevail where there are multiple veto players, it is likely that once a policy is passed, the status quo will prevail; thereby obviating the need for a highly independent separate bureaucratic agency to guard against coalitional drift.

If realizing successful economic reforms in democratic countries is the result of pluralistic bargaining, then insulating a change team from the bargaining process would seem to undermine both the democracy and the reform. Indeed, even if a technocratic privatization agency is both effective and autonomous, its very success seems likely to prompt a popular backlash under democratic conditions. Von Mettenheim and Malloy (1998) argue that policymaking and implementation by technocrats during the period of structural adjustment in
emerging Latin American democracies not only restricted participation and consultation (which was bad for democracy), but also resulted in economic policies that angered and divided business, the very interests that were expected to benefit from reform (15). They warned that: “[if] executives continue to pursue technocratic solutions to political problems, not only will democracy and representation be gutted, but ineffectiveness will also continue to pervade new civilian governments” (1998: 16).

The paucity of theoretically robust, empirically sound research on the relationship between the work of technocratic privatization agencies and democratic governance in developing countries is remarkable, given governments’ enthusiasm for privatization of SOEs and the proliferation of independent privatization agencies over the past three decades. Since these developments occurred during a period of rapidly changing governance contexts in much of the developing world, the politics of privatization in the 1990s and 2000s present interesting theoretical and empirical puzzles. Do professionally-managed, politically-insulated agencies demonstrate a credible commitment to liberalization that increases the likelihood that economic reforms are carried out? In which political contexts do insulated agencies work best or worst? Do insulated bureaucratic agencies force tradeoffs between efficiency and accountability that affect reform outcomes?

**Four African cases**

To address these questions, we use a variety of archival and interview data to explore the politics of SOE privatization in the 1990s and early 2000s in four African countries: Uganda, Nigeria, Zambia, and South Africa. Countries across Africa demonstrate wide variations in democratization, degree of technocratic institutional strength, and economic development, and so the continent offers fertile ground for researchers seeking to understand the relationships.
between democracy, technocracy, and privatization. Privatization of SOEs was a near-universal priority for ruling governments in Africa by the early 1990s and most African countries established bureaucratic agencies to carry out the privatization process during that decade (Pamacheche and Koma 2007), but endowed those agencies with varying degrees of independence. Developing countries in Africa also were democratizing at the same time as they were privatizing their SOEs (Bienen and Herbst 1996). Governments were either radically breaking up old institutions and replacing them with new rules or grafting new institutional arrangements onto existing frameworks (Streeck and Thelen 2005). The quality and diversity of democracy varied widely both across countries and within countries from the early 1990s through the early 2000s.

The four countries we examine here vary in both level of democratization and degree of technocratic agency independence. While political rights and civil liberties protection varied considerably, Uganda and Nigeria were generally authoritarian states during the period of our analysis; the former established a highly independent privatization agency while the latter created a much more circumscribed agency. Zambia and South Africa were generally more democratic countries during the period of study. Zambia sought to bolster its privatization campaign by establishing one of the continent’s most independent, professional privatization agencies. The South African government endowed its privatization agency with far less formal authority and independence. In each of these four cases, then, agencies operated in different political contexts and were accorded different degrees of autonomy.

For heuristic purposes, we identify four patterns of privatization in Figure 1. We develop narratives for each country that how an independent privatization agency was created, the political context in which privatization occurred, and the outcome of the privatization process. Of course, both democratization and public agency independence are continuously distributed
variables, which our two by two figure necessarily forces into dichotomies. This format simply allows us to characterize our four cases in an intuitively useful way; we analyze these variables continuously later in this study. Exploring these four cases allows us to identify the causal processes driving the interaction of privatization agencies with their political contexts. We aim to infer from these four cases patterns of politics that generalize to other African countries and to /developing states more broadly.

**Uganda.** In Uganda, the National Resistance Army (NRA) under Yoweri Museveni succeeded in toppling the short-lived Okello regime in late 1985. The government that came to power established a “no party democracy” which included regular elections and a parliamentary system but prohibited the participation of other parties on the grounds that they were divisive (Kasfir 1998). Alongside the restructuring of the political system, the government launched an economic recovery program that both continued and expanded a series of stabilization measures that had been negotiated previously with the IMF. Stabilization measures were then followed by efforts to restore the economy, which had collapsed owing to mismanagement and conflict in the 1970s and early 1980s. After half-hearted efforts to sell its state assets in the 1980s, the Ugandan government revised key institutional arrangements during the 1990s in order to privatize SOEs and revive the private sector. In 1993 the government passed the Public Enterprise Restructuring and Divestiture (PERD) statute, which created the legal framework for the privatization of SOEs and established an independent privatization agency. Under the direction of the Ministry of Finance (later Finance, Planning and Economic Development (MFPED)) which had overall responsibility for the privatization process, the government created a cabinet sub-committee, the Divestiture and Reform Implementation Committee (DRIC), which was to identify and classify state assets to be sold. Chaired by the Minister of Finance, DRIC included the chairperson of the Uganda Investment Authority, two members of Parliament and
three Ugandans appointed by the Prime Minister following advice from the Cabinet (Dzakpasu 1998). Endowed with significant formal authority and headed by high-profile ministers, the DRIC was designed to privatize SOEs swiftly and decisively.

The government further refined and strengthened the privatization process in 1995 when it established a ministerial post for the privatization of SOEs. Within the Ministry of Finance, a Privatization Unit and Parastatal Monitoring Unit were established and replaced existing secretariats that had been created to manage or sell SOEs. Both units answered to the Secretary of the Treasury but had “operational autonomy” according to personnel who worked directly on privatization during the 1990s (Nyirinkindi and Opagi 2010). The main responsibility of the Privatization Unit was to handle the process of divestiture from the valuation of companies to their final sale, while the parastatal monitoring unit was expected to enforce hard budget constraints on remaining parastatals (Nyirinkindi and Opagi, 210). Along with the Privatization Minister, the two directors of these respective units also served on DRIC.

By 2000, the government made additional changes to the composition of DRIC in order to improve accountability and representation on the committee. Owing to perceived conflicts of interest, Members of Parliament were dropped from DRIC and replaced with four representatives from the private sector and Ugandan civil society. Ministers from sectors where a divestiture was under consideration had the right to attend meetings and to vote. The Attorney General participated in meetings but did not have voting rights (Uganda 1993, as amended 2000).

Figure 2 shows annual and cumulative SOE privatizations in Uganda from 1990 through 2005, as well as Uganda’s level of democratization, measured as the average of its annual Freedom House scores for political rights and civil liberties. Privatization of Ugandan SOEs began in 1992 but accelerated rapidly following the creation of the DRIC in 1993, as Figure 2 illustrates. Privatizations spiked in 1995 when the privatization agency was elevated to
ministerial level. Privatizations leveled off in the late 1990s, but continued apace through 2005. Data from the World Bank show that by 2005 the Ugandan state privatized about 75 of the 159 SOEs that it owned in 1990. In a separate but parallel process, the government returned approximately 4000 properties to their previous Asian owners or to their heirs. These properties had been appropriated from Asians during the regime of Idi Amin as part of its campaign of Africanization and Ugandanization of the economy (Nyirinkindi and Opagi 2010). Private investment also increased from 5.4 percent of GDP in 1986-87 to 13.0 percent in 1998-99 (Tumusime-Mutebile 2000).

Some of the largest divestitures favored foreign investors from South Africa and Great Britain or returning Asians or their heirs. They include firms in most sectors of the economy including finance, tourism, services, agriculture, and manufacturing. Although many assets in these sectors were divested fully, the government has mostly favored joint ventures or concessions for utilities such as water, electricity, and telecommunications. For example, the South African electricity parastatal Eskom was awarded the lease to operate the Uganda Electricity Generation Company, which was unbundled from the Uganda Electricity Board. In telecommunications, another South African company, MTN, received the concession to become the second national mobile phone operator in Uganda. Along with the government of Kenya, the Ugandan government jointly sold the Uganda Railways Corporation and the Kenya Railways Corporation to the Rift Valley Railways Consortium (Nyirinkindi and Opagi 2010).

The pace and extent of privatization reflected both a high degree of agency capacity and the priorities of Uganda’s president. As one observer commented, privatization depended greatly on the participation and interest of President Museveni:

'Two years ago (in 1994) when the National Forum recommended the formation of a Ministry of Privatization and the President was there, it occurred within two weeks. Also when the National Forum recommended that the Ministry of Finance
and Ministry of Economic Planning be merged, the merger was done immediately. Because the President was there..."  

The World Bank's private sector development specialist for Uganda also noted that "if the President is involved, things get done." However, the President may also have involved himself in the sale process for those companies slated for privatization, provoking charges of corruption (Wakabi 1999).

The 1993 statute stipulated that indigenous investors should be included in privatization, but Ugandans were not well placed to take advantage of divestitures due to their low purchasing capacity and their inexperience with investment and management. The government encouraged joint ventures between Ugandans and foreign investors (Dicklitch 1998) and declared that any undertakings that involved extensive land use must include local Ugandans (White and Bhatia 1998). The government also supported management buyouts and promoted indigenous participation in the Ugandan stock market; by 2010 the stock market had fourteen listed companies. Most were large companies and many of them were former SOEs in which the government had offered shares for the public to purchase. Many of the Ugandans who did benefit from privatization had connections to influential politicians (Tangri and Mwenda, 2001).

After a period of highly authoritarian rule in the early 1990s, Uganda’s Freedom House scores declined moderately from 1994 through 1997, indicating freer, more democratic political conditions. By 1998 conditions had improved so much that journalists and scholars were emboldened to condemn several privatization deals for lacking transparency (Watt, Flanary and Theobold 1999; Tangri and Mwenda, 2001). Journalists alleged that some of the privatization deals involved favored supporters of the ruling party or government officials (Wakabi 1998). In the port sector, another company owned by the secretariat of the ruling party, operated a monopoly in the handling of cargo at the inland terminal of Nakawa (Mugirya 2000).
response to widespread concerns about the lack of transparency, the presence of irregularities in the process, and charges of corruption, the Ugandan Parliament then suspended privatization. Following the suspension of the process, the parliament launched an investigation into several high profile divestitures including the sale of Uganda Commercial Bank, Hima Cement, and Uganda Airlines. Not only did Parliament question the authority of the privatization agency to decide which companies should be privatized (Nyirinkindi and Opagi 2010), but also it censured several ministers for having taken advantage of privatization to secure gains for themselves or to privilege particular bidders (The Economist 1999). Two ministers resigned following allegations of wrongdoing (Wakabi 1999). Parliamentary censure and media criticism led to delays in the divestiture process, but also to revisions and improvements in the reform process, notably greater scrutiny of the process by Parliament. Interestingly, the privatization of the telecommunications sector and two initial public offerings were highly successful in the period following the increased oversight by parliament (Nyirinkindi and Opagi 2010).

Political conditions in Uganda affected the extent to which, and the speed with which, the agency was able to undertake the privatization process. (Feigenbaum, Henig, and Hamnett, 1999). Having sold or liquidated approximately three quarters of SOEs and invited private sector participation in some of its largest and most strategic utilities, the approach to privatization adopted by the Ugandan government has been highly effective. These results suggest that the adoption of a formal framework around privatization and the creation of an independent agency dedicated to divestitures established credibility among investors such that they decided to purchase firms. The efficacy of the independent agency may be due in part to the active involvement of the authoritarian head of state (see Kahler, 1993).

In relatively authoritarian Uganda, the privatization agency offered a sufficiently credible signaling device to potential investors such that they purchased SOEs. The number of sales to
foreign and domestic investors, the presence of an agency, and the president’s visible support of its mission appeared to indicate to investors that the commitment to privatization came from the highest echelons of the government, while at the same time, the relative autonomy of the agency afforded some protection from public and governmental interference that the agency was able to do its job swiftly. Tellingly, the privatization process accelerated again as democracy scores deteriorated from 2000-2002.

By contrast, during those moments when Uganda was arguably more democratic, the quality of privatization improved. On the one hand, from 1992 through 1994, when Uganda’s Freedom House scores averaged a decidedly undemocratic 5.5-6.0, eleven of Uganda’s fifteen privatizations of SOEs were conducted via direct sale to private investors, but none by sale of shares or competitive bid. On the other hand, from 1997 through 1999, when Uganda’s average Freedom House scores had improved to 4.0, just three of thirteen privatizations were by direct sale, while six were privatized via sales of shares or competitive bid. Many of Uganda’s largest privatizations occurred during this period and were accompanied by greater transparency, even if the pace of privatization slowed somewhat.

Nigeria. Except for several brief interludes of civilian rule and sporadic attempts at democratic elections, successive military regimes have governed Nigeria since its independence from British colonial rule in 1960. In 1993, the military overthrew another attempt at democratization, ushering in a highly repressive period of authoritarian rule that lasted until renewed efforts to democratize in 1999. During the 1990s Nigeria’s Freedom House scores averaged over five through the decade, “maxing out” at seven for both political rights and civil liberties in 1996. Although Nigeria did not participate in the wave of democratization that swept many other African countries during the 1990s, it did adopt measures of economic liberalization
beginning in the 1980s. These continued in fits and starts during the 1990s following the military coup.

Like Uganda, Nigeria established a sizeable state sector following independence but did so without eliminating the private sector. At the height of the period of state intervention, the federal government had approximately 600 SOEs while state and local governments controlled around 1,500 parastatals (Obadan 2000). The state sector accounted for 50% of Gross Domestic Product and provided 66% of formal sector employment in the mid-1990s (Jerome 2008).

Figure 3 depicts annual and cumulative SOE privatizations in Nigeria from 1990 through 2005, as well as the country’s average annual Freedom House scores.

Economic crisis in the 1980s motivated the government to adopt a package of reforms prescribed by the World Bank and the IMF, of which privatization was a key component. After announcing its intention to privatize SOEs in 1986, however, the government only adopted a decree in 1988 after “two years of dilly-dallying” according to one critic (Jerome 2008, 6). In addition to identifying the procedures for privatization, the decree created an eleven-person, Technical Committee on Privatization and Commercialization (TCPC), which was responsible either for selling state enterprises or restructuring them so that they would operate more profitably (Obadan, 2000).

Despite its mixed mandate, the TCPC managed 55 SOE privatizations between 1989 and 1993 (Jerome 2008), suggesting that, as in Uganda, the creation of an agency accelerated the privatization process somewhat. Nevertheless, several difficulties plagued the process, as Obadan (2000) observes. First, the TCPC was highly dependent on the government with respect to the identification of companies for sale, the valuation process, the choice of privatization method, and the timetable for sales, causing some to claim that the TCPC was “weak” (60). Second, ex ante legislation that favored the monopoly position occupied by SOEs stayed on the
books, undermining the growth of a competitive environment (56). Third, labor unions and SOE
managers vigorously resisted privatization (59). Fourth, some critics charged that share
purchases by Northerners were favored over those by Southerners (Jerome 2008).

In 1993, the TCPC was abolished and a new organization, the Bureau of Public
Enterprises (BPE), was created to engage in reform of SOEs, but whatever improvements over
the previous organization may have been brought by the creation of the BPE went unrealized as
the overall political environment deteriorated. Privatization stalled following a military coup in
government under Sani Abacha shifted its preference from divestitures to the commercialization
of SOEs, but no significant privatization occurred for the balance of the decade.
Commercialization was meant to redesign the operations of SOEs so that they conformed more
to market principles but without transferring ownership to the private sector.

Following renewed but flawed democratic elections in 1999, the new government of
Olusegun Obasanjo government resuscitated the privatization process. With the passage of the
Privatization and Commercialization Act of 1999, the government identified SOEs for divestiture
and stipulated the percentages that would be available to government, foreign and domestic
investors. Moreover, it created a National Council on Privatization (NCP) with a mandate to
approve and sell SOEs and it gave responsibility to the BPE to handle the technical aspects of
privatization. Neither the BPE nor the NCP were statutorily independent nor did they have sole
responsibility to handle privatization. The NCP was housed firmly within government and was
comprised of members of Cabinet as well as other government officials with economic
responsibilities. The Vice-President of the country had responsibility for chairing the NCP. Yet
the revised laws and the re-structuring of the privatization process were more clearly articulated
than before the government’s stated commitment to divestiture. Nigerian privatization
administrators recognized that signaling the government’s commitment to privatization of SOEs was an essential part of their work. Privatization “is both an economic and political exercise but more the latter,” said Bernard Verr, former director-general of the NCP. Privatization therefore requires “the commitment of the highest political authority” (Harsch 2000, 16, italics added).

Privatization resumed in Nigeria following the passage of the 1999 Act. Although the government retained majority control over so-called strategic assets in the country such as oil production, electricity and water, it sold companies in the financial, manufacturing and energy sectors to foreign investors and listed them on the Nigerian stock exchange. In 2001, it opened up the mobile phone market to private investors and it privatized the fixed line telephone operator in 2006. By 2005 Nigerian government had sold approximately 22.5 percent of the SOEs that were under direct Federal government control. Notably, Nigeria’s Freedom House scores had improved somewhat owing to the return to nominal democracy in 1999.

Sales of SOEs in Nigeria appear to be linked to the formation or resuscitation of bureaucratic agencies empowered with handling the process. Yet the political context of the country contributed to an unfavorable assessment of the privatization process in Nigeria. According to the Bertelsmann Transformation Index (BTI), “…privatization [in Nigeria] serves largely as a money laundering instrument for legalizing illegally accumulated wealth and income from international drug trafficking” (BTI, 2006, 9). Further, the BTI remarked that “The transformation process continues at a snail’s pace” (2006;16). Under the highly authoritarian conditions that Nigeria experienced in the mid-1990s, the mandate to privatize was weak and inconsistent, and the response by investors was similarly poor despite the ongoing presence of the privatization agency. Privatization of SOEs ground to virtual halt. Privatization accelerated when the agency’s mission was reinforced and democratic conditions improved somewhat. Compared with Uganda, Nigeria is a case where a weak regime created a weak agency. The case
supports an early claim made by Haggard and Kaufman (1989) that “technocrats are marginalized” in “weak” authoritarian regimes where institutions are fragile and the political context is unstable (59).

**Zambia.** Following independence from Britain in 1964, the new government of Zambia established a one-party state under President Kenneth Kaunda eight years later. Critical of the effects of colonial capitalism in this resource rich country, the Kaunda government nationalized most productive and strategic enterprises in Zambia, including the copper mines, which were responsible for the majority of Zambia’s GDP. However, falling copper prices in the 1970s, a lack of reinvestment in technology and capital equipment on the mines, and state mismanagement produced economic crisis by the 1980s. Faced with mounting resistance from Zambian civil society and under intense pressure from the IMF and the World Bank to sustain structural adjustment reforms, the Kaunda government capitulated to widespread opposition and agreed to hold multi-party elections. Elections in 1991 brought a new government to power, the Movement for Multiparty Democracy (MMD), under Frederick Chiluba, a former trade unionist.

Following the election the new ruling party, implemented what might best be termed “textbook privatization” because it adhered closely to the prescription for privatization promoted by the World Bank (Pitcher, forthcoming). Indeed, the MMD’s cooperation with World Bank and IMF was in large part due to dire economic the conditions that helped topple the 27-year rule of Kenneth Kaunda (Tordoff and Young 2005). The MMD changed the constitution to allow for the protection of private property rights, passed a new land law that expanded leasehold tenure and provided for the granting of titles to individuals with the intent of creating a land market in Zambia (the 1995 Lands Act), and relaxed restrictions on foreign investment (the Investment Act). By 1992, it had established the Zambia Privatization Agency (ZPA), granting it statutory
authority to undertake the privatization of SOEs. Notably among countries in Africa, the
Zambian government formally gave ZPA a great deal of independence to select, advertise and
process the sale of companies (ZPA 2005). 

The formal design of the ZPA was consistent with the claims of a number of scholars in
the early 1990s that to be effective, agencies needed to be insulated from political interference
and staffed by technocrats. While the President had the power to appoint members of the
agency, his appointments were subject to parliamentary oversight and approval. The agency’s
board was broad-based and non-government representatives outnumbered government officials:
besides three government officials, nine members of the board were from diverse sectors of civil
society such as business, the trade unions, universities, and churches. Importantly, since voting
members of the board only met once every two months, the technical staff of the agency were
subject to little oversight by politicians. Following the Cabinet’s authorization of SOEs eligible
for privatization, the ZPA was free to undertake privatization without further interference. The
ZPA simply submitted progress and annual reports to the Minister of Commerce, Trade and
Industry, who was required to deposit the report with Parliament within seven days of its next

ZPA bureaucrats moved systematically after the agency’s creation to dispose of SOEs,
although a lack of experience delayed initial attempts to privatize the first tranche of 12-14
companies. Unlike officials in some other African countries, ZPA officials did not have to be
convinced or threatened into carrying out their mission. On the contrary, ZPA’s technocrats
were ideologically committed to the process and were not simply responding to World Bank
conditionality, although of course Bank pressure was substantial. According to the former Chief
Executive James Matale:
We really thought privatization would deliver. We believed that with the injection of funds it would help create more employment. We had these objectives we wanted to meet. We thought that by the end, at least 60% would be doing better: investment and employment would increase because those had been the constraints under the previous system. So even though there was conditionality, we shared the views. We thought the goals were achievable.\(^8\)

According to Matale, the ZPA tried to conduct privatization “by the book:” “We wanted to follow the rules and be professional.”\(^9\) With technical expertise and advice provided by UNDP, the World Bank, the US Agency for International Development, Danida, and other donors, agency personnel valued assets, broadly advertised companies for sale, selected independent negotiating teams for each sale, and published quarterly status reports detailing particular transactions (Fundanga and Mwaba 1997).

Figure 4 shows Zambia’s annual and cumulative SOE privatizations from 1990 through 2005, as well as its average annual Freedom House scores.\(^10\) In sheer volume of transactions, ZPA’s privatization efforts were clearly successful: according to World Bank records of privatization, Zambia privatized 30.5 percent of its SOEs during the first seven years of the ZPA’s existence. Official Zambian figures, which are calculated using a different methodology, show that the ZPA divested around 261 of the 282 companies in its portfolio by 2005 (Cruickshank, 2005).\(^11\) Sales included businesses in almost every sector from manufacturing to tourism. About sixty percent of SOEs were sold to Zambians, but most of these were small companies. Purchases by foreign investors accounted for the bulk of the nearly one billion US dollars in revenue from sale of SOE. Joint ventures between foreigners and Zambians or foreigners and the state accounted for 83% of sales. Foreigners solely purchased twelve per cent of the total value of sales, while Zambians accounted for the remaining five per cent (World Bank 2002, 23; Rolfe and Woodward 2004, 12). In 1998 the World Bank lauded Zambia’s as the most successful privatization program in Africa (Pamahache and Koma 2007).
These outcomes appear to reinforce conventional arguments that an independent, insulated change team is effective at privatizing SOEs. An examination of the pace and quality of privatization, however, underscores the interaction of such independent technocratic agencies with their democratic political environments. The ZPA’s privatization efforts were most effective from 1992 to 1997 as the MMD consolidated its power and Zambia’s Freedom House scores increased substantially, indicating a drop in democratization. In 1996 Zambia’s political rights score from Freedom House climbed to five with the disqualification of an opposition party Presidential candidate and a subsequent opposition boycott of national elections (Tordoff and Young 2005); the ZPA’s sale of SOEs sold a record number of firms that year.

Yet following the elections, the ruling party began to interfere repeatedly in the privatization process, undermining the ZPA’s professional autonomy. First, the government overrode the authority of the ZPA to designate the method of sale and to oversee the privatization process. Privatization of parastatals or parts of parastatals was done “off the books” through special committees and according to irregular procedures. Second, the government removed the privatization of Zambia’s most valuable SOEs, its copper mines, from the ZPA and handed responsibility for the sales to a specially created Privatization Negotiating Team (PNT). During the negotiating process, the PNT did not consult with the ZPA on the methods of sale, the bids received, and the awarding of contracts to buyers. In some cases, contracts were awarded to personal colleagues of the head of the PNT and/or the President of the country (Larmer, 2005).

After initially displaying ambivalence to privatization because of the depth of the economic crisis, union militancy rose over privatization, wages, and government restrictions on union rights after 2000. The unions also joined with other popular organizations such as churches and anti-poverty groups to challenge government on issues of broader significance to Zambians such as the constitution, press freedom, and democracy (Akwetey and Kraus 2007;
Pamacheche and Koma 2007). Alongside union and popular expressions of disapproval with government policy, opposition politicians and parties attracted support by campaigning against foreign purchases of SOEs prior to the 2001 elections (Chifuwe, 2002; Larmer and Fraser, 2007). Privatization declined again in the early 2000s and especially after 2002, when democracy improved somewhat following the election of President Mwanawasa. Zambia still had substantial assets to sell including Zamtel and the Zambia National Commercial Bank but it repeatedly stalled on sales of these assets owing to popular protest. Even members of Parliament, not known for their activism, began to question privatization. Some MPs used their positions to hold Ministers accountable for their actions, to inform the public about policy changes, and to highlight abuses. These efforts included questioning Ministers about privatization deals (Zambia, 2007).

The Zambian case supports the claim that when the political context is more democratic (rather than “new” as Haggard and Kaufman (1989) claim), the pace of privatization slows because public scrutiny is greater and the regime is more willing to consider and evaluate popular demands. When the democratic environment worsened in Zambia, privatization accelerated because the governments was less accommodating of popular demands and opponents were more restricted in their ability to thwart sales. In Zambia, a highly independent technocratic agency, armed with the expertise and authority prescribed by the IMF, was positioned to carry out the program of privatization. The ZPA’s very independence and the speed with which they privatized SOEs provoked a backlash by labor and opposition parties that ultimately eroded Zambia’s economic and political development. “Zambia’s experience of economic reform has not yet served democracy well,” Burnell (2001) concludes in his assessment of Zambian political economy in the 1990s, “because it has failed to produce concrete economic and social improvements” (209).
South Africa. The discovery of gold and diamonds in the late nineteenth century generated the industrial and financial development of South Africa in the twentieth century. Much of the growth was largely private sector driven but the state held sizeable assets in strategic sectors such as telecommunications, ports and railways, electricity and defense equipment which were huge employers of labor. Until the late twentieth century, much of the country’s wealth was generated via a reliance on highly discriminatory racial legislation in an undemocratic state. Subjected to artificially depressed wage rates, oppressive working conditions, and segregated housing, health, and educational facilities, diverse groups within South Africa’s black majority population from trade unionists to religious leaders organized resistance against the apartheid (aparthood) government throughout the 20th century. Together with international sanctions against South African goods, sustained opposition brought about the end of apartheid and the country’s first democratic elections in 1994 (Marais 1998).

South Africa was one of the most developed and democratic countries in Africa after elections brought the African National Congress (ANC) to power. Unlike other countries in Africa, a large private sector was already well established in South Africa; moreover, the timing of the transition to democracy also coincided with the height of global neoliberalism. Thus, in spite of favoring nationalization when it was resisting apartheid and having a popular base that supported greater state intervention, the ANC was already beginning to favor economic liberalization and privatization when it got into power.

As the ANC began to formulate its economic policy, well organized interests mobilized both for and against privatization of SOEs. The ANC’s own base consisted of many who had been historically disadvantaged by apartheid, such as black workers and managers and a small group of black business owners. This group favored the use of the state to redress the
discrimination that the black majority had experienced in the past whereas the established private sector supported greater liberalization (Marais 1998).

In 1996, just two years after its first multiparty elections, the ANC, led by President Nelson Mandela, passed the Growth, Employment and Redistribution Act (GEAR). GEAR was an explicitly neoliberal economic strategy aimed at balancing the budget, reducing state expenditures, liberalizing trade, and attracting foreign and domestic investment. Interestingly, while GEAR announced the state’s intention to reform public enterprises, it assiduously avoided using the word “privatization” (South Africa 1996). Instead, it referred to the “restructuring” of state assets but understood the approach to consist of a number of options from outright sale, the taking of a strategic equity partner, or a public private partnership with the government retaining a majority interest. GEAR also mentioned the use of cost recovery approaches in public services through the adoption of public private partnerships. These were envisioned as a means for the government to save money but the government provided no specific details on the features such partnerships. The only sales of state assets that GEAR specifically mentioned were those of six South African Broadcasting Company stations and the search for a strategic equity partner for Telkom, South Africa’s fixed line telecommunications company (South Africa, 1996).

Just as the language of GEAR was vague, so also were the roles and responsibilities of the smattering of agencies linked to SOE reform. Unlike Zambia or Uganda, the South African government never established an independent or even semi-autonomous agency dedicated to the privatization of its SOEs. Instead, responsibility for management and restructuring was given to the Office of Public Enterprises (OPE), which was created in 1994. Yet the OPE did not act as a standalone agency with a mandate to privatize. In 1999 the OPE was upgraded to a government Department (DPE) and the roles and responsibilities of the agency were more clearly defined, but they were also contradictory. The DPE was expected to manage South Africa’s nine largest
SOEs, including Denel, Transnet, Telkom, and Eskom, at the same time that it was expected to restructure them to make them more efficient and to form partnerships with private partners. At this time, the government gave DPE the responsibility to coordinate the privatization of SOEs, but its autonomy to undertake privatization was circumscribed. DPE was expected to work closely with key ministries such as Finance, Labor, Trade and Industry and sectoral departments such as Minerals and Energy, Transport, and Defense to develop appropriate strategies for the state sector be it privatization, restructuring or regulating specific firms.

Ten years after the passage of GEAR, privatization in the narrow sense had not been fully realized. South Africa’s annual and cumulative SOE privatizations and average Freedom House scores from 1990-2005 are shown in Figure 4. According to World Bank records, just 26 out of 300, or less than ten percent of South African SOEs were sold by 2005. By 2007, SOEs still comprised forty four per cent of fixed capital assets and contributed fourteen per cent to the GDP (Rumney 2004, 3). To be sure, there were some major divestitures such as the sale of Telkom in 1997, which was considered one of the largest privatization deals on the continent (Horwitz and Currie, 2007). But significantly, the government retained all or most of the shares in fixed capital-intensive industries such as such as electricity supply and generation, defense manufacturing, telecommunications, and transport services. Rather than sell these enterprises to the private sector, South Africa reconfigured them in order to pursue closer relationships with private sector suppliers, to rationalize operations and to make them more profitable (Leape 2005). Whether privatization or restructuring occurred, the process has largely been transparent and well documented.

Two factors seem to explain South Africa’s tepid pace of privatization. First, the overlap of functions created a potential conflict of interest between DPE’s responsibility to privatize and its duty to act in the best interest of the SOEs, their employees, and the government. Over the
course of the privatization and restructuring process, the conflict became evident in the DPE’s struggles to balance contradictory economic, social and developmental objectives. Second, South Africa’s relatively open, democratic society ensured that privatization was the object of substantial media scrutiny and concerted resistance by well-organized trade unions, civil society groups, and SOE managers (Pitcher, forthcoming). These two factors generated extensive bargaining and negotiation between DPE bureaucrats, SOE managers, and trade unions to produce a compromise. Over time, the government opted to restructure state enterprises so that they competed more effectively in global and regional markets, rather than selling them to the private sector (Pitcher, forthcoming).

It appears that the South African government anticipated that pressures against privatization would be great, and gave itself plenty of room to compromise by referring to restructuring rather than privatization in most policy documents. This flexibility allowed the government to shift course over time. After 2000, the DPE continued to stress the goals of greater efficiency but it began to add social imperatives to its discursive repertoire. Rather than being sold, SOEs were harnessed to the objectives of broad based black economic empowerment, the training of black managers, and public works projects.

**Toward a theory of technocracy-in-democracy.** The politics of SOE privatization in these African countries reveal the effects of bureaucratic agency independence and democracy on policy outcomes. Privatization is a technically complex process, and so it is hardly surprising that the creation of specialized bureaucratic agencies to administer the privatization facilitated the process in each of the four cases studied here. However, in each case, the success of technocratic agencies in privatizing SOEs depended in important ways on the country’s degree of democratization. At the same time, the independence of the agencies themselves had
important implications not only for their success in the privatization process, but also for the broader political development in these emerging democracies.

In authoritarian Uganda, establishing a highly independent agency evidently offered a signal to investors that its government had committed to a program of liberalization sufficiently credible to carry out a substantial degree of privatization. But agency independence does not prevent government interference in the sales process in the ways that Wilsonian (1887; or more recently, White and Bhatia’s (1998)) logic would hope for. Between 1990 and 2005, Uganda’s political climate was hardly democratic; its Freedom House scores for political rights and civil liberties in Uganda averaged 4.9 during the period of analysis. Sales of SOEs rapidly accelerated following the creation of privatization agency that was given a significant degree of authority to privatize. However, a number of sales benefitted those who were close to the President, suggesting that patronage, not professionalism, dominated the process of privatization.

By contrast, the Nigerian case shows that when authoritarian governments send signals about their intentions to liberalize their economies, the privatization process can be erratic and unpredictable. The Nigerian government established a privatization agency, but it was highly circumscribed and subject to interference by party politicians. The agency’s limited independence sent a weak signal to investors, for even its limited mandate for privatization was subject to the whims and changing positions of the ruling party on the desirability of privatization (Bienen and Herbst 1996). Under those conditions, sales are inconsistent and extremely slow.

Technocratic independence had markedly different effects in the more democratic contexts of Zambia and South Africa. Under authoritarian regimes voices of opposition to SOEs are muted, but in democratic countries creation of an independent agency served as a rallying point for workers, SOE managers, and other organized interests opposed to privatization. In
Zambia a new government with a mandate for significant economic reform created a highly independent privatization agency shortly after it returned to multiparty politics in 1991. Staffed by professionals and armed with a strong mandate, the agency was effective at valuing and selling its initial SOEs. It became the focal point of protest by opponents of privatization who sought to stall and derail the process, particularly when the quality of democracy was high. Privatization resumed as democratic quality declined in Zambia in the run-up to the 1996 elections. Under conditions where public scrutiny and pressures to be accountable declined, the privatization agency resumed its work, albeit with less professionalism and greater interference from partisan politicians.

Although the South African government also appeared to favor privatization, it chose not to establish an insulated, stand-alone agency. Instead, the political leadership located technocrats charged with privatizing SOEs within existing government departments where they also were responsible for other functions; South African technocratic authority was not at once circumscribed and diffused. It seems that Nelson Mandela’s ANC refrained from establishing a highly insulated, technocratic privatization agency because it anticipated that announcing a program of privatization would be a red flag to a bull. A highly independent, technocratic agency may establish credibility among investors, but at the same time, it also signals to potential losers that a government wants to privatize. Under democratic conditions, such a signal may invite political backlash, which can stymie the privatization process as it did in Zambia. Indeed, it is tempting to speculate that South African leaders drew lessons from Zambia’s experiences as they crafted institutions to carry their liberalization program forward. South Africa is not the only case of a more democratic country that has hesitated to create a standalone agency in Africa. Fear of distributional conflict may be one reason why relatively democratic African governments in Mauritius and Namibia did not create agencies and also privatized very
few firms up to 2006. The South African government did not entirely avoid political resistance to privatization, but its measured approach allowed it to sustain the divestiture and restructuring of SOEs throughout the 1990s while maintaining a highly democratic political climate.

Like Caraway, Rickard, and Anner (2011), our findings suggest that even in cases of very weak states like many of those in Africa, governments have to bargain not only with external financial institutions like the IMF and the World Bank, but also with domestic interests. Our cases show that the degree of influence of domestic pressures on economic policy choice depends on how democratic the country is. Our findings thus suggest that constructions of the implementation of privatization as a game between the World Bank and a country is too simple. Rather, as Kahler (1993) observed with respect to negotiations with the IMF, domestic interests in democratic governments also become players in negotiations between governments and international financial institutions, principally the World Bank.

**Theory: technocracy-in-democracy**

The four African countries studied here combine with prior research on political economy to reveal three ways in which technocratic independence affects privatization in developing democracies. We argue that independent bureaucratic agencies affect the politics and outcomes of privatization initiatives by: 1) strengthening institutional capacity to administer the privatization process; 2) signaling to investors and creditors that a government is credibly committed to privatization; and 3) by signaling to domestic political interests that a government is credibly committed to privatization. Here we discuss each of these effects and draw hypotheses from them.

**Technical capacity.** The first is quite straightforward: independent bureaucratic agencies staffed by professionals help build the administrative capacity necessary to carry out the
privatization process. Put simply, independent privatization agencies increase privatization. Moreover, agencies that are endowed with sole responsibility to manage privatizations and an explicit legislative mandate to privatize SOEs (as in Uganda and Zambia) lead to faster and more extensive privatization than less independent agencies. When agencies have more limited authority, broader or ambiguous missions, or shared responsibility over SOEs (as in Nigeria and South Africa), the pace and extent and privatization is slower, ceteris paribus. It is important to emphasize that the logic at work here is not the Weberian/Wilsonian idea of an insulated, neutral bureaucracy professionally administering policy with minimal interference by politicians. Indeed, the four cases analyzed here show that these bureaucratic agencies are anything but insulated from their political environments, and our subsequent hypotheses reflect a profound interaction between technocracy and democracy. Our causal claim here is comparatively modest: we argue that independent agencies build technical capacity by employing qualified bureaucrats who can administer a privatization program. Greater agency independence increases agency effectiveness through greater authority and clarity of mission.

**Signal to investors.** As discussed earlier in this paper, past research on central banking and monetary policy indicates that investors and international finance institutions perceive the creation of independent bureaucratic institutions as signals of a government’s commitment to reform and ability to carry it out (Brune, Garrett and Kogut 2004; Keefer and Stasavage 2002; Stasavage 2003). The creation of an independent agency and the formal adoption of rules that govern its activities demonstrate a stronger commitment to economic liberalization than simply agreeing to comply with conditions determined by the international financial institutions. By the 1990s, agency independence became a conscious part of policy choices by African governments as they pursued economic liberalization. As noted in our treatment of the Zambian case, the
World Bank recognized this commitment in praising that country’s overall privatization program.

Existing research also suggests that investors perceive signals of commitment to liberalization from democratic governments to be more credible than similar signals from authoritarian governments because in democracies, political coalitions in support of reform tend to be built before reforms are initiated (World Bank 1995, Diermeier et.al. 1997; Gilardi 2007). Moreover, because democracies enlarge the number of potential veto players and tend to be more transparent, reforms are likely to be more durable under democratic governments than authoritarian governments. In fact, one of the reasons that privatization proceeded so unevenly in Nigeria was owed to the instability, rent seeking, and use of opportunistic uses of discretion by Nigeria’s highly authoritarian government. As other studies have shown, investors avoid making investments in places where political conditions and government adherence to the rules are unpredictable (Borner, Brunetti and Weder 1995; Brunetti and Weder 1995).

**Signal to domestic political interests.** The creation of an independent privatization agency simultaneously sends a potent signal to domestic political actors. When governments invest resources in hiring professional bureaucrats and endow them with substantial authority, the signal of credible commitment is broadcast to opponents of reform as well as investors (Haggard and Kaufman 1989; Kahler 1993). The politics of privatization in developing democracies is therefore what Putnam (1988) describes as a “two-level game:” on one level, governments negotiate strategically with investors and international financial institutions; on another level, they negotiate with existing or inchoate domestic opposition. Organized labor, managers of SOEs, rent-seeking politicians, and other potential “losers” may perceive SOE privatization as a threat to their immediate economic interests; a strong signal of commitment to
privatization may become a rallying point to unite otherwise fractured or disparate opposition groups.¹⁴

The degree to which opposition groups can affect privatization processes and outcomes depends on their political contexts. For this reason, opposition responses to the creation of a privatization agency under authoritarian governments will be different from those in more democratic countries. In highly authoritarian countries, popular or sectoral discontent with a privatization agency’s actions are likely to have little effect so long as the agency maintains elite support, since opposition is likely to be suppressed—violently, if necessary. Kahler (1993) argues that a government’s degree of accountability to public opinion affects the choices that it makes in negotiations with investors and financial institutions. He observes that, in an authoritarian state, “the technocratic core is shielded from capture by economic interests in the society” (1993, 371). Under these conditions, highly independent technocrats may pursue privatization with the endorsement of the authoritarian state and without fear of popular opposition, as in Uganda.

On the other hand, under relatively democratic regimes the very existence and early effectiveness of an independent agency may spur resistance to or a backlash against the program of privatization (Kahler 1993). Indeed, the agency itself can thus become a focus of popular and electoral opposition to privatization, as in the Zambian case (Pamacheche and Koma 2007). When Zambia’s highly independent privatization agency helped spark large-scale protests, the government reacted to the backlash by suppressing opposition parties and destabilizing the democracy more generally. Ironically, technocrats’ privatization efforts in democracies may be more effective with less independent agencies. South Africa’s privatization bureaucracy had a less potent mandate than Zambia’s, and so privatization occurred more slowly. Although it was not without conflict, the process in South Africa was characterized by careful coalition-building
and compromise that was more sensitive to electoral pressures. Under these more democratic conditions technocrats are still involved in the privatization process, but they must work with and through the pluralistic interest group politics that mark democratic countries.

Contingent technocracy. Three different mechanisms, then—some reinforcing, others countervailing—affect the politics of privatization when governments establish independent agencies to carry out the process. Highly independent agencies staffed by professionals build the technical capacity to carry out a program of privatization, and greater independence and clarity of mission facilitate rapid, effective privatization. Less independent agencies may privatize SOEs less extensively and at a slower pace. Creation of an independent agency also sends investors a signal that the government’s commitment to privatization is credible, which further facilitates privatization. Such a signal is especially potent under more democratic governments.

At the same time, the creation of an independent agency sends domestic political interests who are opposed to privatization a similar signal of commitment. Under autocratic regimes, domestic opposition is suppressed or ignored and so has little effect on privatization outcomes. However, as democratization increases, opposition groups are more emboldened to protest against privatization. In response to or in anticipation of such protests, more democratic governments will privatize more slowly and less extensively. The result is a democratically-contingent technocracy, in which the impact of independent, professional bureaucracies depends upon the democratic contexts in which they operate.

Five hypotheses follow from this theory:

H1—Technical capacity: Countries with independent privatization agencies privatize more of their SOEs than countries without independent privatization agencies.

H2—Agency independence: Privatization of SOEs will increase as agency independence increases.
H3—*Democracy*: Privatization of SOEs increases as democracy increases.

H4a—*Contingent technocracy*: Privatization decreases as democracy increases in the presence of independent privatization agencies, but increases as democracy increases in the absence of independent privatization agencies.

H4b—*Contingent technocracy*: Privatization decreases as democracy increases in the presence of highly independent privatization agencies.

Taken together, these hypotheses offer leverage on whether and how professional bureaucrats housed in independent privatization agencies affect the political economy of liberalization in developing democracies.

**Analysis of privatization in 24 African countries**

Does the democratically-contingent technocracy that we observe in Uganda, Nigeria, Zambia and South Africa apply elsewhere? In order to test the robustness and generalizability of our theory, we analyze SOE privatization in 24 Sub-Saharan African countries that adopted privatization policies in the 1990s.

**Data.** Most African governments—and all of the governments included in our sample—adopted neoliberal reforms following a period of profound economic crisis in the 1980s (Pamacheche and Koma 2007). For the present analysis we selected countries for which there was available data on privatization of SOEs from 1990 until 2005. We excluded countries such as Sierra Leone, Liberia or Congo that experienced major conflicts during the time period of the study out of concern that these countries either did not attempt seriously to expand their formal private sectors during the time period or their efforts were interrupted.15 The selected countries are geographically representative of sub-Saharan Africa generally, including states from West, East, Southern and Central Africa. These countries vary in population, resources, and per capita income, and they also vary in degree of democratization across both countries and time.
Average Freedom House scores for political rights and civil liberties in these countries ranged between 1 and 7 over the time period.

Structural adjustment packages from the IMF and/or World Bank during this period of time usually recommended or required that African governments adopt a series of macroeconomic reforms such as the liberalization of trade and exchange rates, the balancing of budgets, and provisions for privatization of SOEs (Kahler 1993; Pastor and Wise 1999). Although some countries such as Cote D’Ivoire and Guinea began to enact privatization measures in the 1980s, most African governments began to embrace such measures during the 1990s. Following a fairly formulaic set of recommendations by the World Bank, governments changed their constitutions to acknowledge private property rights, enacted land laws, passed investment laws, and formally adopted laws to privatize their SOEs. Often included in this legislation were institutional arrangements for the creation of a privatization agency designated to value firms, choose the method of sale, identify prospective buyers, handle bids, and sell the company. Between 1990 and 2005, all but two of our 24 sampled countries created privatization agencies with varying degrees of independence.16

The dependent variable in this study is privatization of SOEs. We adopt a broad, inclusive understanding of privatization to mean the partial or full sale, liquidation, or transfer through the exercise of preemptive rights of a SOE to the private sector. Since we are looking particularly at the impact of privatization agencies, we do not include the corporatization or commercialization of a SOE if the state retains ownership of the enterprise.17 We measure privatization as the cumulative percentage of a country’s 1990 SOEs that have been privatized through each subsequent year until 2005. We construct the initial (1990) count of SOEs based on different archival sources for each country.18 Data on annual privatizations for each of the 24 countries were collected from two datasets on privatization compiled by the World Bank from
1988-1999 and 2000-2007 (World Bank, 1988-1999, 2000-2007). In our own review of the World Bank data we have identified some missing SOEs that independent sources indicate were privatized. However, in the interests of consistency and replicability, we use only the World Bank’s data in the present analysis. Table 1 lists the 24 countries in our sample, the relative independence of their privatization agencies, the year in which the privatization agency was founded, and the total number of SOEs privatized in each country from 1990-2005 as recorded by the World Bank.

This measure of privatization effectively weights each privatization transaction, large or small, equally. A wealth of research on privatization outcomes in East and Central Europe and Latin America demonstrates that privatizing larger SOEs is generally riskier or more difficult for governments than privatizing smaller SOEs owing to their greater employment levels, more extensive linkages with other sectors of the economy, and greater scrutiny by the media or the general population (World Bank 1995). Unfortunately, it is impossible to assign accurate initial values to the SOEs that governments held in 1990, and so it is impossible to measure the cumulative share of a country’s SOEs as measured by capital value. However, the sale of each SOE generates its own difficulties and challenges, and the decision to privatize each one has the potential to activate supporters or opponents. This sensitivity is especially pronounced when state companies are privatized in a region of a country where there are few alternative opportunities for employment. Although the revenue generated by such companies (either through profits or sale) may constitute only a small percentage of the government’s total GDP, the consequences can be devastating for the region if the company is liquidated or its workforce downsized following privatization. Therefore, while the simple percent of SOEs privatized has important limitations as measure of privatization, it is a valid and theoretically useful way to measure outcomes for the present purposes.
The first independent variable of interest in this analysis is the presence or absence of an independent agency dedicated to managing the privatization of SOEs. We measure this variable in two ways. For each country, we reviewed legislation privatization and primary and secondary sources to determine: 1) whether an independent privatization agency was created between 1990 and 2005; and 2) the relative independence of privatization agencies implicit in their institutional structure. We categorized each country by the relative independence of its privatization agency (if it had one) based on the legislation that established agencies or government policy documents. An appendix to this paper explains the rules that we used to categorize agencies as highly independent or less independent with a pair of 0/1 dummy variables. Countries with no agencies at all are coded as 0 for this variable.

We use annual assessments of freedom by Freedom House to measure the degree of democratization for each country (Freedom in the World Survey, 1990-2007). Each year Freedom House generates two index values that capture the degree of political rights and civil liberties afforded to people in each country. We use Freedom House scores because we are interested in the extent to which organized interests have the freedom to express support for or discontent with policy reforms such as privatization and the degree to which governments are restrained from behaving opportunistically by the rule of law. Because Freedom House scores capture both the extent to which checks and balances and the rule of law exist and the degree to which can exercise their right to free speech, to form organizations, and to participate in the political process, they provide a useful measure of the relationship between a government and its citizens. In this sense, our measure of democracy is really a measure of liberal democracy. The Freedom House scores are scaled from 1 (most free) to 7 (least free). We average the two Freedom House scores for each country, reverse the scale, and normalize the value to a democracy scale of 0-1. The result is a value for each country, each year that may range from 0
Democratically-Contingent Technocracy
Teodoro and Pitcher

(least democratic) to 1 (most democratic); Table 2 offers a descriptive summary of these scores for the sampled countries. *Democracy* scores are surprisingly volatile: as Table 2 and Figures 1-4 indicate, *democracy* varies considerably both across countries and within countries.

Our analyses also include controls for size and relative economic development. We would expect that countries with larger economies would have more SOEs, and so our models of SOE privatizations control for size of economy using *log population* and *log GDP* measured in constant 2005 dollars. Additional controls for other demographic and economic variables were not included because annual data for each country were not available for most variables of potential interest; we rely on our estimation procedure to account for unobserved variation, as discussed below. Table 2 offers a descriptive summary of the variables used in our analysis.

**Models.** To evaluate our hypotheses we develop a series of linear pooled time series regression models of cumulative percent SOE privatizations in our sample of 24 African countries over 16 years (1990-2005). The unit of analysis is country-year, so that each case represents the politics and economic policies of country k in year t. The models include country-level fixed effects and one-year lagged dependent variables, so our 16-year sample yields a 15-year panel for each country with 1990 as our base year. The fixed effects are computationally equivalent to dummy variables for each country in the sample, and so capture country-level variation that is unobserved in other variables. We constructed a total of four models. The first two models include direct effects only: Model 1 includes a simple dummy for the presence of an *independent privatization agency*; Model 2 includes separate dummies for *highly independent* and *less independent* agencies. The third and fourth models add multiplicative interaction terms for *democracy* and the different classes of privatization agencies.

Since all of our cases share a common timeframe and geographic region, we expected that simple pooled models might suffer from cross-sectional heteroskedasticity. For example,
unobserved political or economic events might occur during some years or sub-regions of Africa that affect some panels differently from others in ways that are not captured by the fixed effects. Under such conditions, the unobserved effects will be expressed in the disturbance term, resulting in consistent and unbiased, but inefficient estimators and biased standard errors (DeHoyos and Sarafidis 2006). Frees and Freidman tests of cross-sectional dependence confirmed the presence of non-trivial cross-sectional heteroskedasticity in simple pooled models. We therefore apply the covariance matrix estimation procedure proposed by Driscoll and Kraay (1998) to generate efficient estimators. Table 3 reports the results of these models.

**Results.** All four models strongly affirm our hypotheses about the direct effects of independent agencies and their capacities to manage privatization of SOEs. Model 1 affirms hypothesis H1, as the presence of an *independent privatization agency* raises the cumulative SOEs privatized in any given year by 2.10 percent, respectively, with very strong statistical confidence. Model 2 similarly affirms hypothesis H2: *highly independent agencies* and *less independent agencies* both increase the cumulative percent of SOEs privatized, but *highly independent agencies* have a much stronger effect (2.57 percent versus 1.05 percent for *less independent agencies*). Whether by building technical capacity, signaling a credible commitment to investors, or both, independent privatization agencies evidently do cause countries to privatize a greater share of their SOEs.

Interpreting the results for hypothesis H3 requires greater nuance. In the models without interaction terms (Models 1 and 2), the direct effect of *democracy* shows that cumulative privatization increases as *democracy* increases. However, these effects are substantively weak and statistically dubious ($p = .20$ in both models). Evidently democratization alone does little to explain the outcome of privatization initiatives.
However, the direct effects of democracy are markedly different in Models 3 and 4, which feature interaction terms in order to test our theory of democratically-contingent technocracy. If the creation of an independent agency catalyzes domestic opposition to privatization in ways that contravene the privatization program, then we would expect a democracyXindependent agency interaction term to have a negative effect on privatization (hypothesis H4a). We also would expect this “backlash effect” of democracy to be strongest where privatization agencies are highly independent (hypothesis H4b). Our results affirm both of these hypotheses. In Model 3 the direct effects of democracy and independent privatization agency are both substantively and statistically significant and positive in the ways that hypotheses H1 and H3 predict. However, the interaction of democracy and independent privatization agency is strongly negative. Indeed, the interaction effect is almost exactly equal to and opposite of the direct effect of democracy, suggesting that independent privatization agencies. Consequently, the net effect of independent agencies diminishes as democracy increases. Put another way, independent agencies have their strongest effects in highly authoritarian states, but much more limited net impact in strongly democratic countries.

In order to evaluate hypothesis H4b, Model 4 goes a step further by modeling the direct effects of highly independent agencies and less independent agencies separately, along with interactions terms for both types of agencies with democracy. In Model 4 the direct effects of both types of privatization agencies remain strong, positive, and statistically significant. However, the direct effect for highly independent agencies is much stronger than for less independent agencies (3.84 versus 1.07 cumulative percent SOEs privatized). The direct effect of democracy also remains positive and statistically significant, but weaker than its effect in Model 3. The interaction terms in Model 4 offer the most remarkable results: the less independent agenciesXdemocracy interaction has virtually no effect at all, but the interaction of
highly independent agency × democracy is strongly negative and statistically robust. The net effect of highly independent agencies is therefore very strong under authoritarian conditions but declining as democracy increases. In fact, under highly democratic conditions, the net effect of a less independent agency is virtually the same as a highly independent agency. This result is striking, for it indicates that opposition sparked by highly independent agencies in democratic countries negates much of the advantages of technocracy, and that less independent agencies can be nearly as successful in privatizing SOEs in democratic countries.

Discussion and conclusion

Taken together, our statistical results indicate that the democratically-contingent technocracy that we observed in Uganda, Nigeria, Zambia, and South Africa is generalizable to much of Sub-Saharan Africa. Highly independent agencies facilitate the efforts of technocratic change teams to privatize SOEs most effectively under relatively less democratic conditions. In an authoritarian state, technocrats empowered with institutional capacity and a mandate for privatization can bring their professions’ favored policies to reality in their countries quickly and efficiently (though not necessarily without corruption or influence by politicians). However, a high degree of agency independence becomes less effective at privatization as democracy increases. Developing country governments send simultaneous signals to investors and domestic political interests when they create highly independent privatization agencies: it announces to both that a country is serious about liberalizing its economy. Privatization and investment dollars are likely to follow, but a de-stabilizing backlash may ensue as well, slowing and perhaps stymieing the prospects for privatization in the future. In Zambia, such a backlash not only affected the politics of privatization, but ultimately weakened that country’s formal governance institutions and destabilized its fledgling multiparty democracy (Pitcher, forthcoming). Fear
over such a destabilizing outcome led highly democratic Namibia to forego establishment of an independent privatization agency, and Namibia’s subsequent record of privatization has been feeble, despite an official government policy of privatization (Kakujaha-Matundu 2009).  

When more democratic countries establish less independent agencies, they gain the advantages of technical administrative capacity and professional champions for privatization. But with limited authority, technocrats bent on liberalizing an economy in a democratic country must engage in the arduous and uncertain process of coalition building and electoral politics. The resulting privatization process may be slower and less extensive, but perhaps more sustainable. In contrast to the conventional wisdom about the merits of divorcing administration from politics, our evidence indicates that less politically insulated technocrats may be more effective and more accountable technocrats in the long run.

**Limitations and directions for future study.** While the statistical empirical analysis of our grounded theory is remarkably robust and consistent, perhaps the most significant empirical limitation to the present analysis is the quality of privatization data available from the World Bank. As noted earlier in this paper, we have identified some inconsistencies and missing privatizations in the World Bank dataset and are working to resolve these issues. These data concerns notwithstanding, our findings are consistent with the body of research on independent central banks and their effects on economic development.

Beyond the empiricist’s typical call for more and better data, there are three other clear theoretical avenues for further inquiry pursuant to this study. First, although our theory is built on the logic of “two-level games,” our qualitative and quantitative emphases has been on the domestic level, and the relationships between privatization agencies and other domestic political actors. This focus is motivated partly by our familiarity with and interest in African political economy. Future research can and should focus on the “privatization game” players who operate
on the other level of the game: do investors and international financial institution officials really perceive independent privatization agencies as signals of credible commitment to liberalization, as they evidently perceive independent central banks (Keefer and Stasavage 2002; Stasavage 2003) and regulatory institutions (Bertelli and Whitford 2009)?

Second, we have observed democratically-contingent technocracy in four African countries and tested the phenomenon across a larger group of African states; an obvious next direction for inquiry is to test the model in other contexts. Latin America offers one potentially rich field in which to look for such interactions between democracy and technocracy; there may be others, as well.

Finally and critically, the technocrats at the heart of the politics of privatization remain inadequately understood. Some excellent studies of political economy have recognized that technocrats are important political actors (for example Kahler 1993; Dargent 2011). However, research on economic technocrats remains fragmented and based on isolated cases. The role of transnational professional networks and technocratic career paths are often noted in studies of economic reform (Kahler 1993; Nelson 1990), but to our knowledge they have not been studied rigorously to date. Recent research in public administration has linked professional career paths to the diffusion of policies favored by fellow professionals (Bhatti Olsen and Pederson 2011; Teodoro 2009, 2011). Do professional networks create similar incentives for the technocrats who advance economic reforms in the developing world? A clearer and deeper understanding of technocratic professional networks seems important, given the prominence and apparent influence of technocrats in economic policymaking.

**Conclusion.** Privatization is a technically complex, highly contentious, and irreducibly political process. A common solution to this conundrum offered by policymakers and scholars has been to insulate bureaucrats from democratic influences, endow them with authority, and
give them a firm mandate for privatization. Besides the administrative capacity that these agencies offer, they are signals of a credible commitment to privatization to investors and international financial institutions. Critically, however, they are also signals to domestic political audiences. Our findings suggest that highly independent privatization agencies can be effective in carrying out their tasks and attracting investors, especially under relatively authoritarian political regimes. However, in emerging democracies, a high degree of agency independence potentially worsens the problems that privatization agencies were created to solve. We find that as countries become more democratic, highly independent privatization agencies may simply tell voters and opposition groups that governments are trying to avoid accountability for their policies by protecting them from accountability. In turn, privatization agencies may bear the brunt of negative reactions against policy outcomes and policies may get delayed or derailed.

By contrast, our case studies and statistical models indicate that less independent privatization agencies are more effective at privatization under more democratic circumstances. That is, paradoxically, privatization agencies with less formal authority and more ambiguous mandates are more effective at privatization in democratic countries. Technocrats with circumscribed authority and a democratic political environment cannot privatize by force or fiat, and so must build support for privatization by making accommodating potential “losers” and engaging in the painstaking task of explaining to voters why the policy is important.24 An important policy implication of our findings is that, when pursuing far-reaching institutional reforms like privatization, policymakers should not try to insulate their technocrats from popular influences. Rather, democratic political leaders should charge technocrats not only with carrying out reforms, but also with winning public trust in the merits of reform, and, when necessary, accommodating the potential enemies of reform. Looking back on the tumultuous politics of African privatization in the 1990s, the World Bank’s Oliver Campbell White admits that “One of
the mistakes we made in privatizing in Africa was not talking to labour leaders early on” (Harsch 2000, 14). White continued:

We need to pay a lot more attention to garnering information on people’s views and getting people to participate in the formulation of policy. Yes, this may well slow up design, preparation, and implementation early on. But once you get that out of the way, [a privatization programme is] much more likely to be successful (16-17).

We hope that the present research will contribute to a reconsideration of the value of independent privatization agencies in developing countries transitioning to democracy and to capitalism. Rather than insulating technocratic change teams, democratic governments seeking stable, long-term liberalization should facilitate greater engagement between technocrats and interest groups. Technocratic professionals may be most effective when they have sufficient institutional capacity to carry out reforms, but also are engaged proactively with the democratic process, not insulated from it.
### Table 1: African countries, privatization agencies, and SOEs

<table>
<thead>
<tr>
<th>Country</th>
<th>Year Established</th>
<th>Independence</th>
<th>Total in 1990</th>
<th>Privatized through 2005*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benin</td>
<td>1992</td>
<td>Low</td>
<td>65</td>
<td>10</td>
</tr>
<tr>
<td>Burkina Faso</td>
<td>1994</td>
<td>Low</td>
<td>77</td>
<td>10</td>
</tr>
<tr>
<td>Cameroon</td>
<td>1994</td>
<td>High</td>
<td>180</td>
<td>18</td>
</tr>
<tr>
<td>Cape Verde</td>
<td>1992</td>
<td>High</td>
<td>53</td>
<td>3</td>
</tr>
<tr>
<td>Cote D’Ivoire</td>
<td>1993</td>
<td>High</td>
<td>147</td>
<td>54</td>
</tr>
<tr>
<td>Ghana</td>
<td>1993</td>
<td>High</td>
<td>350</td>
<td>105</td>
</tr>
<tr>
<td>Guinea</td>
<td>1991</td>
<td>Low</td>
<td>181</td>
<td>1</td>
</tr>
<tr>
<td>Kenya</td>
<td>1992</td>
<td>Low</td>
<td>250</td>
<td>100</td>
</tr>
<tr>
<td>Lesotho</td>
<td>1995</td>
<td>High</td>
<td>38</td>
<td>7</td>
</tr>
<tr>
<td>Madagascar</td>
<td>1998</td>
<td>High</td>
<td>184</td>
<td>4</td>
</tr>
<tr>
<td>Mali</td>
<td>1990</td>
<td>Low</td>
<td>52</td>
<td>9</td>
</tr>
<tr>
<td>Malawi</td>
<td>1996</td>
<td>High</td>
<td>110</td>
<td>36</td>
</tr>
<tr>
<td>Mozambique</td>
<td>1992</td>
<td>High</td>
<td>1,248</td>
<td>165</td>
</tr>
<tr>
<td>Mauritius</td>
<td>--</td>
<td>N/A</td>
<td>15</td>
<td>1</td>
</tr>
<tr>
<td>Namibia</td>
<td>--</td>
<td>N/A</td>
<td>52</td>
<td>0</td>
</tr>
<tr>
<td>Nigeria</td>
<td>1993</td>
<td>Low</td>
<td>485</td>
<td>109</td>
</tr>
<tr>
<td>Niger</td>
<td>1996</td>
<td>High</td>
<td>54</td>
<td>4</td>
</tr>
<tr>
<td>South Africa</td>
<td>1996</td>
<td>Low</td>
<td>300</td>
<td>26</td>
</tr>
<tr>
<td>Senegal</td>
<td>1995</td>
<td>Low</td>
<td>188</td>
<td>11</td>
</tr>
<tr>
<td>Tanzania</td>
<td>1993</td>
<td>High</td>
<td>425</td>
<td>112</td>
</tr>
<tr>
<td>Togo</td>
<td>1994</td>
<td>Low</td>
<td>86</td>
<td>11</td>
</tr>
<tr>
<td>Uganda</td>
<td>1993</td>
<td>High</td>
<td>159</td>
<td>75</td>
</tr>
<tr>
<td>Zambia</td>
<td>1992</td>
<td>High</td>
<td>282</td>
<td>86**</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>1999</td>
<td>Low</td>
<td>90</td>
<td>16</td>
</tr>
</tbody>
</table>


**1990-1999 only; the 2000-2007 World Bank database does not include data for Zambia.
Table 2: *Democracy scores in sampled African countries, 1990-2005*

<table>
<thead>
<tr>
<th>Country</th>
<th>Mean</th>
<th>Standard Dev.</th>
<th>Maximum</th>
<th>Minimum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benin</td>
<td>.66</td>
<td>.11</td>
<td>.71</td>
<td>.29</td>
</tr>
<tr>
<td>Burkina Faso</td>
<td>.35</td>
<td>.08</td>
<td>.43</td>
<td>.21</td>
</tr>
<tr>
<td>Cameroon</td>
<td>.15</td>
<td>.04</td>
<td>.21</td>
<td>.07</td>
</tr>
<tr>
<td>Cape Verde</td>
<td>.76</td>
<td>.14</td>
<td>.36</td>
<td>.29</td>
</tr>
<tr>
<td>Cote D'Ivoire</td>
<td>.24</td>
<td>.06</td>
<td>.86</td>
<td>.14</td>
</tr>
<tr>
<td>Ghana</td>
<td>.51</td>
<td>.19</td>
<td>.79</td>
<td>.14</td>
</tr>
<tr>
<td>Guinea</td>
<td>.21</td>
<td>.04</td>
<td>.21</td>
<td>.07</td>
</tr>
<tr>
<td>Kenya</td>
<td>.24</td>
<td>.16</td>
<td>.57</td>
<td>.07</td>
</tr>
<tr>
<td>Lesotho</td>
<td>.43</td>
<td>.14</td>
<td>.64</td>
<td>.21</td>
</tr>
<tr>
<td>Madagascar</td>
<td>.54</td>
<td>.06</td>
<td>.57</td>
<td>.43</td>
</tr>
<tr>
<td>Mali</td>
<td>.59</td>
<td>.14</td>
<td>.71</td>
<td>.21</td>
</tr>
<tr>
<td>Malawi</td>
<td>.44</td>
<td>.22</td>
<td>.64</td>
<td>.07</td>
</tr>
<tr>
<td>Mozambique</td>
<td>.43</td>
<td>.12</td>
<td>.50</td>
<td>.14</td>
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<tr>
<td>Mauritius</td>
<td>.79</td>
<td>.04</td>
<td>.86</td>
<td>.71</td>
</tr>
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<td>Namibia</td>
<td>.65</td>
<td>.02</td>
<td>.71</td>
<td>.64</td>
</tr>
<tr>
<td>Nigeria</td>
<td>.27</td>
<td>.16</td>
<td>.50</td>
<td>.00</td>
</tr>
<tr>
<td>Niger</td>
<td>.33</td>
<td>.15</td>
<td>.57</td>
<td>.07</td>
</tr>
<tr>
<td>South Africa</td>
<td>.67</td>
<td>.19</td>
<td>.79</td>
<td>.36</td>
</tr>
<tr>
<td>Senegal</td>
<td>.49</td>
<td>.10</td>
<td>.64</td>
<td>.36</td>
</tr>
<tr>
<td>Tanzania</td>
<td>.32</td>
<td>.13</td>
<td>.50</td>
<td>.14</td>
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<td>Togo</td>
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<td>.05</td>
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<td>Uganda</td>
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<td>.09</td>
<td>.43</td>
<td>.14</td>
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<td>Zambia</td>
<td>.43</td>
<td>.11</td>
<td>.64</td>
<td>.21</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>.25</td>
<td>.08</td>
<td>.36</td>
<td>.07</td>
</tr>
</tbody>
</table>

*Democracy* is the average of Freedom House’s scores for ‘Political Rights’ and ‘Civil Liberties,’ inverted so that high scores indicate more democratic and low scores indicate more authoritarian political climates, then rescaled 0-1.
### Table 3: Models of cumulative percent of SOEs privatized


<table>
<thead>
<tr>
<th>Variable</th>
<th>Direct Effects Only</th>
<th>Direct and Interactive Effects</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Model 1</td>
<td>Model 2</td>
</tr>
<tr>
<td></td>
<td>Coefficient (D-K S.E.)</td>
<td>p</td>
</tr>
<tr>
<td>Democracy (0-1)</td>
<td>.63 (.48)</td>
<td>.20</td>
</tr>
<tr>
<td>Independent privatization agency (0/1)</td>
<td>2.10 (.42)</td>
<td>&lt;.01</td>
</tr>
<tr>
<td>Less independent privatization agency (0/1)</td>
<td>1.05 (.38)</td>
<td>.01</td>
</tr>
<tr>
<td>Highly independent privatization agency (0/1)</td>
<td>2.57 (.57)</td>
<td>&lt;.01</td>
</tr>
<tr>
<td>Democracy X independent agency</td>
<td>-2.20 (.97)</td>
<td>.03</td>
</tr>
<tr>
<td>Democracy X less independent agency</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Democracy X highly independent agency</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Log GDP (2005 USD)</td>
<td>.47 (.40)</td>
<td>.25</td>
</tr>
<tr>
<td>Log population</td>
<td>-1.26 (1.35)</td>
<td>.36</td>
</tr>
<tr>
<td>Lagged dependent variable</td>
<td>.90 (.05)</td>
<td>&lt;.01</td>
</tr>
<tr>
<td>Intercept</td>
<td>9.97 (21.50)</td>
<td>4.56</td>
</tr>
</tbody>
</table>

F: 521.34 714.96 469.54 671.87  
Within R²: .94 .94 .94 .94

N= 360. Cells report coefficients, Driscoll-Kraay standard errors, and p values generated by a pooled time series regression model with country fixed effects. Fixed effects not reported in this table.
Figure 1: Agency Independence, Regime Type, and Reform Outcomes

<table>
<thead>
<tr>
<th>Agency Independence</th>
<th>Authoritarian</th>
<th>Democratic</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>Uganda</td>
<td>Zambia</td>
</tr>
<tr>
<td>Low</td>
<td>Nigeria</td>
<td>South Africa</td>
</tr>
</tbody>
</table>

Figure 2: Privatization of SOEs in Uganda, 1990-2005

Democratization is measured as the average of the annual Freedom House scores for political rights and civil liberties, where 1 means “free” and 7 means “not free.”
Figure 3: Privatization of SOEs in Nigeria, 1990-2005

Democratization is measured as the average of the annual Freedom House scores for political rights and civil liberties, where 1 means “free” and 7 means “not free.”

Figure 4: Privatization of SOEs in Zambia, 1990-2005

Democratization is measured as the average of the annual Freedom House scores for political rights and civil liberties, where 1 means “free” and 7 means “not free.” Zambian privatization data for 2000-2005 are missing.
Figure 5: Privatization of SOEs in South Africa, 1990-2005

Democratization is measured as the average of the annual Freedom House scores for political rights and civil liberties, where 1 means “free” and 7 means “not free.”
Appendix: Rules for Coding Agency Independence

For each of the 24 countries in our sample, we determined whether there was a government agency with a legislative mandate to manage the privatization of SOEs. After reviewing the legislation that authorized privatization of SOEs, each country was placed into one of the following categories as having:

1) A *highly independent agency*;

2) A *less independent agency*; or

3) *No privatization agency*.

We classified an agency as *highly independent* if it had an explicit mandate to undertake privatization, and was either established within a single existing ministry or completely separate from existing ministries. An agency was classified as *less independent* if it had other responsibilities besides SOE privatization (such as SOE management) and/or if it shared authority over privatization with other government ministries. A country was coded as having *no privatization agency* if the government did not assign responsibility for privatization to any specific bureaucratic organization. We recorded the year in which each country created its independent privatization agency (if any) and the relative independence of its agency. For purposes of our analysis, we code all country-years as having no independent agency (*agency = 0*) in years before an agency is established. We code all country-years after establishment as having an independent agency (*agency = 1*), as well as the agency’s relative independence.
References


Chifuwe, Sheikh. 2002. “Privatization will be Over Zambians’ Dead Bodies,” The Post (9 December).


Notes

1 Interview with Michael Opagi, Director, Privatisation and Utility Reform Unit, Ministry of Finance, Planning and Economic Development. Kampala, Uganda (20 June 2001).

2 The World Bank data do not include liquidations of SOEs. When liquidations are included in the total, Uganda disposed of 120 SOEs through 2007.


5 Interview with Andrew Owinyi, MBEA Brokerage Services. Kampala, Uganda (25 June 2001). See also www.use.or.ug.


7 Ibid.

8 Interview with James Matale, former ZPA Chief Executive, Lusaka, Zambia (12 June 2008).

9 Ibid.

10 The World Bank 2000-2007 privatization database includes no data for Zambian privatization, although we know that additional privatizations occurred in Zambia between 2000 and 2005. We are working to gather annual privatization figures for Zambia independently.

11 Cruickshank interview. This number excludes about 50 companies that were not under direct control of the ZPA. Most of the 50 companies were liquidations or companies returned to their former owners (see also Zambia 2005).

12 Matale interview; Cruickshank interview.

13 Cruickshank interview.

14 Kahler (1993) argues that IMF conditionality has occasionally served as a “lightning rod” in developing countries (377).

15 Some African countries pursued privatization despite their engagement in military conflict. For example, Ethiopia launched a major SOE privatization campaign in 1994 and established a highly independent privatization agency in 1998 (Mengistu and Vogel 2009), the same year that Ethiopia’s two year war with Eritrea began.
Mauritius and Namibia did not create privatization agencies during the period of study. Mauritius and Namibia countries had very few SOEs relative to other African countries (15 and 52, respectively).

When commercialization and corporatization of large SOEs includes a substantial ownership stake for the state, the ministry under whose oversight the SOE falls (not the privatization agency) typically handles the transaction.

When possible, we consulted government reports produced by the ministries or agencies charged with privatization or restructuring for the initial count of SOEs. Additional sources for initial SOE counts were White and Bhatia (1998), Nellis (2003) and Berthelemy, et.al. (2004).

Unfortunately, the World Bank changed its methodology for monitoring privatizations in the middle of our study period. From 1990 through 1999 the World Bank recorded all privatizations of SOEs. Beginning in 2000, the World Bank database began recording only privatizations with a value of over USD 1 million. It is difficult to know how many smaller SOE privatizations are missing from our data, and we are working to reconcile the two different datasets. However, it is possible that our models underestimate the total percentages of privatizations from 2000-2005. We are working to gather data on smaller privatizations independently; for the purposes of the present analysis, we assume that the missing data on smaller privatizations are distributed across countries in proportion to their total SOEs.

Freedom House scores have been criticized for being subjective. For a defense of the use of Freedom House indicators of democracy over other indices, see Bogaards (2004). We considered using Polity IV scores to measure democracy as well, but year-by-year Polity IV data were not available for the countries in our study.

We tested our models of cumulative percentage of SOEs privatized with gross national income per capita as an alternative metric of development. The results were consistent with those generated by log GDP.

Jackknifed replications clustered by both country and years showed the results to be robust.

As of 2009, Namibia had not privatized any of the 52 SOEs that it operated in 1990. However, Namibian SOEs have established several public-private joint ventures and private management contracts under which the government retains ownership of capital assets (Kakujaha-Matundu 2009).

This finding is consistent with the Hicken, Satyanath, and Sergenti (2005), who find that growth recoveries following a forced devaluation of the exchange rate are more likely in countries with more accountable executives.