Reconciling Public Sector Efficiency with Equitable Governance: The Case of Botswana at the Crossroads

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Introduction

The central concern of this paper is to analyze the administrative and governance implications that surround the recent quest for public sector reform through privatization in Botswana, a widely-celebrated successful state-led middle-income African country. With the prevalent global discourse of 'best-practice' and minimalist public sector institutions serving as background context, this paper argues that Botswana's attempt at privatization has inherent contradictions and misplaced priorities that need to be addressed and resolved if the government's economic development objectives are to be realized. The issue of privatization as conceptualized in Botswana is also examined with a view to identifying aspects of this phenomenon that may or may not be relevant to the country's twin goals of public secctor efficiency and private sector development. The ultimate aim of the paper is be to promote a deeper understanding of the institutional and other environmental constraints surrounding Botswana's illusive quest for public sector reform and private sector development through privatization, and to suggest some context-relevant prerequisites and alternatives to pursuing public sector efficiency that will not compromise the overall principles of good governance.

The paper seeks to depart from the tendency towards universalist remedies (or panacea) for public sector reforms in the new public management (NPM) "paradigm" by evaluating the meaning and implications of public sector reforms within the context of Botswana's developing economy and democratic political system. The analysis consists of qualitative evidence that examines through in-depth case study the nature of the state's involvement in managing the economy and facilitating national development in Botswana. Research data collection involves face-to face interviewing of public officials as well as qualitative content analysis of relevant policy documents.

The rest of the analysis proceeds in the following manner: first, an attempt is made at reviewing the literature on privatization, with the aim of highlighting the theoretical and empirical debates over the administrative and governance implications of privatization as a mechanism for achieving public sector reform and private sector development. This is followed by a critical evaluation of Botswana's conceptualization of privatization, and the country's rationale or justifications for making it a policy priority. Finally, some lessons about privatization are drawn, as well as recommendations made for future consideration of privatization as a policy tool in public sector reform and private sector development.

Literature Review:

Privatization has gained tremendous momentum over the past two decades. In almost all Western political systems, privatization in all its myriad forms- from outright divestitures of public agencies/enterprises and contracting out of public services to varying degrees of commercialization of public organizations.[1] As these trends gain even greater currency, much debating is being generated among both practitioners and scholars regarding the benefits and costs of privatization. For analytical clarity, the term privatization needs to be defined: Privatization, according to David Zussman, refers to "the transfer of activities and/or assets from the public to the private sector."[2] However, this is a much narrower definition of privatization. David Van Slyke defines privatization more broadly as "changing from an arrangement with high government involvement to one with less."[3]

There are two principal gradations of privatization; first, privatization to regulated private industry; and second, 'simple' privatization.[4] In privatization to regulated private industries or to a non-profit corporation, the government transfers responsibility for the program or service delivery but still maintains policy, regulatory or monitoring role. This qualifies as a collaborative arrangement and thus tends to merge with public-private partnership arrangements. For instance, in Canada, privatization has often involved the transfer of government ownership of parts of departments or of Crown corporations to the private sector. An example is Nav Canada, the air-navigation system, which was part of the federal Department of Transportation but which is now owned by the airline industry.

In spite of its multiple meanings to different people in different contexts[5], the concept is held together by a shared belief among its proponents that many functions presently performed by governments might be assigned to the private sector, directly or indirectly.[6] Much of the debates over privatization have more often been routinely driven by ideological fervor on both sides of the 'trenches'- one the one side are the strong believers in the inherent superiority of market principles, and on the other side are the apologists for the necessity and imperatives of the public sector as the best mechanism for securing, managing and delivering the common good in whatever policy field.

There have been several reasons behind the move toward privatization. Two main global catalysts are as follow; first, fiscal constraints of most governments in the last 30 years have created the (perceived) need to both downsize government operations

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[1] Peter Aucoin, The New Public Management: Canada in Comparative Perspective, (Montreal: IRRP, 1995), 2-3.
[2] David Zussman, "Alternative Service Delivery", in C. Dunn (ed.), The Handbook of Canadian Public Administration, (Oxford Univ. Press, 2002), 66.
[3] David Van Slyke, "The Mythology of Privatization in Contracting for Social Services," *Public Administration Review,* Vol.63, No.3, 2003, 296.
[4] David Zussman, 66.
[5] Jean-Etienne de Bettignies and Thomas Ross, "The Economics of Public Private Partnerships," *Canadian Public Policy*, Vol.30, No.2, June, 2004, 137.
[6] Ronald Moe, "Exploring the Limits of Privatization," in J. Shariftz and A. Hyde (eds.), *Classics of Public Administration,* 3rd ed. (Brooks Cole, 1992), 539.

and mobilize private funding for public services.[7] Secondly, the sudden and steep rise in e-government is pushing more than a few governments to work more closely with private companies in the ICT sector both for access to their capital and to exploit their expertise. In developing countries, especially in Africa, another significant and often compelling reason for privatization is the perception of widespread inefficiency and ineffectiveness of public enterprises resulting from poor management and rampant corruption, in achieving their policy and development goals.[8]

Privatization falls under the broader rubric of a general trend in public management toward alternative service delivery (ASD). Alternative service delivery has been defined as a "creative and dynamic process of public sector restructuring that improves the delivery of services to clients by sharing governance functions with individuals, community groups and other entities."[9] Privatization is principally those aspects of ASDs that are more heavily influenced by the desire to adopt market principles in the operations and delivery of services, whether through arrangements external to government or through the incorporation of these market principles into public management processes

On the central question of improving efficiency and service delivery through privatization, proponents have pointed to a combination of "reduced cost, improved services, increased management flexibility, specialized expertise, and decreased public monopoly inefficiencies."[10] And according to Martin Sellers, privatization for services has become especially attractive because it is believed that there are incentives in private enterprises that are absent from or minimally available to government enterprise.[11] The argument continues that managerially, private operations, unlike the rigidities that cripple bureaucracy, can be more flexible in responding to market and social trends, economies and populations. Further claims about the efficiency of privatization point to the loosening of procedural constraints that bind government action.

However, one needs to investigate the underlying assumptions on which advocates of privatization make their claims. Although privatization promises better services at lower costs, this promise often rests on key assumptions- the existence of perfect or at least effective market competition, and a competent government with the technical and organizational capacity to monitor private actors. The primary goal of any privatization would be to introduce competition and market forces in the delivery of public services.[12] In the context of contracting-out services, competition has been defined as the existence of "a market containing a range of provider alternatives from which government can decide who is best positioned to deliver the contract with the highest service, lowest cost, and greatest expertise."[13] However, assuming the existence

[7] Tony Bovaird, "Public-Private Partnerships: from Contested Concepts to Prevalent Practice," *International Review of Administrative Sciences*, Vol.70, No.2, June, 2004, 201.
[8] (Democratic Reform in Africa: The Quality of Progress, pp.36-57)

[9] David Zussman, "Alternative Service Delivery," 55.
[10] Van Slyke, 296.
[11] Martin Sellers, "Privatization Morphs in Publicization: Business Look a lot like Government," *Public Administration*, Vol.81, No.3, 2003, 608.
[12] Van Slyke, 296.
[13] Ibid. 296.

of such competitive markets could prove overoptimistic especially in the case of developing economies often with deficient markets, weak private sector capacity, smaller number of competent market actors, low demand base from a 'customer' public, and greater tendency for market failures.

Even if we assume the existence of effective competition and well-functioning markets, the second assumption among proponents of privatization is that government must be a "smart buyer", a skillful purchasing agent, and a sophisticated inspector of the goods and services it purchases from the private sector. The irony here is that whereas one of the main compelling reasons given in justification of privatization is the widespread inefficiencies of the public sector, privatization actually does rely on an efficient public sector with the technical, managerial, and regulatory capacity to monitor contracts and divestitures, and ensure the private sector's successful and equitable delivery of services. Even though it is offered as a remedy for government incapacity and inefficiency, privatization makes it even more urgent and pressing that the public sector possess the necessary capacity to supervise highly unpredictable private actors whose mode of operation is profit maximization and individual or corporate self-interest.

If the public interest is to be secured, privatization requires that the public sector be equipped with staff with the relevant contract-management experience, policy expertise, negotiation, bargaining, and mediation skills, oversight and audit capabilities, and the necessary communication and political skills to manage programs with third parties in a complex political and economic environment. So then the question is, why privatize or shrink a public sector that may already have the requisite capacity that privatization proponents so eloquently demand? However, as if in self-contradiction, proponents of privatization often advocate for a reduction in the size and workforce of governments. The result of such contradictions is well-illustrated in the now widely discredited structural adjustment programs in Africa and other developing regions as privatization often results in what has been termed the 'hollow state'.[14] A 'hollow state' is one having the twin evil of low capacity and weak legitimacy- the latter resulting from, or worsened by, the shrinkage of the state from its productive and distributive functions.

And focusing even further on the narrow economics of cost reduction, privatization supporters seldom acknowledge that contracting leads to additional public management costs such as developing program performance measures and evaluation tools, developing and maintaining management capacity to monitor and oversee contractors, and so on.[15] Another dimension of the econometric calculus of efficiency is the insight provided by Oliver Williamson when he argues that given the governance structure or institutional context within which governments transactions are negotiated and executed, the contracts with private service or program providers are likely to be complex rather than simple.[16] In such environments, the transactions costs of designing, letting, monitoring and enforcing complex contracts are very likely to be high. In light of this, governments must be wary of getting caught up with privatization processes that compromise the government's ability to secure and protect the public interest in the long term.

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[14] Tony Bovaird, 207.
[15] Van Slyke, 297.
[16] Oliver Williamson, "Transaction Cost Economics", *Journal of Law and Economics*, Vol.32, 1979,

Steven Globerman and Aidan Vining also maintain that contracting out is justified only when one can expect to lower the sum of production costs and the costs of managing the relationship between government and the contractee.[17] This is not a simple observation. Contracting has a potential for lowering the first set of costs but these savings could be more than offset by increases in governance costs. Where the complexity of the task is high, contestability or market competition is low, and asset specificity- and thus investment risk- is high, governance cost could prove to be disastrously high for governments.

Proponents of privatization often suggest that the issue is less about public versus private provision and more about monopoly. Not so. It is fundamentally about public versus private provision. Although some public choice theorists have blurred the line between public and private, claiming that competition is all that matters, in fact, the public and the private sector are intrinsically different in very significant respects, and this has serious implications for service delivery. Jean-Etienne de Bettignies and Thomas Ross argue that while private provision of services generates productive efficiency, public provision tends to generate greater allocative efficiency. And according to Ronald Moe, "the public and private sectors may be alike in the nonessentials, but it is in the essentials where they differ, and these distinctions cannot be glossed over or taken lightly….[T]he fundamental basis of this line [of demarcation] is to be found in public law, not in economic or behavioral theories."[18]

While an emphasis on a clear distinction of the public and private is urgent and necessary in the wake of massive privatization in Western countries and in the developing world, one is not suggesting a discouragement of cooperation between the public and private sectors. It is possible for government to effectively engage with, and exploit the competencies of the private sector and non-profit community, but this should be done not merely by "neoclassical contracting" (by which the state relies on pure economic incentives to direct and control private actors in the delivery of public services) but relational contracting (with emphasis on strategic partnerships between the state and private actors).[19] By contrast with simple 'neoclassical' contract system where the reference point for effecting adaptations remains the original agreement between the state and some private sector service provider, the reference point under a truly relational approach is the entire relation as it develops through time.

The main argument here is that forms of privatization that involve either divestiture of state agencies or contracting out state functions to private providers need not be made a priority in developing countries. The real priority is to build the structural and policy capacity of the public sector, and to embed these public enterprises within society through mechanisms that ensure accountability, transparency and participatory processes in their day to day operations. Participatory processes take several forms, but in the context of this essay, the reference is made particularly to private sector organizations which can enter into strategic partnerships with the state in ways that will not

[17] Steven Globerman and Aiden Vining, A framework for Evaluating the Government Contracting-Out Decision," *Public Administration Review,* Vol.56, 1996, 577-580.
[18] Ronald Moe, "Exploring the Limits of Privatization" in J. Shariftz and A. Hyde (eds.), *Classics of Public Administration,* 3rd ed. (Brooks Cole, 1992), 540.
[19] Oliver Williamson, 238.

compromise the active involvement of the public sector in the management and implementation or delivery of public policies and programs.

The strategic management literature suggests that public-private partnerships can contribute to competitive (or collaborative) advantage in three different ways:[20] first, providing economies of scale in the provision of certain services; second, providing economies of scope or the ability to exploit more fully the complementary capabilities and competences which exists in the partner organization(s); third, providing opportunities for mutual learning between partners which may be intended to lead to long-term dynamic process or interchange.

Beyond the narrow confines of econometric calculus, public-private partnerships hold the promise of efficiency and better service delivery through positive governance synergies. In developing countries, public-private partnerships could potentially bring about profound transformation of methods of state intervention which is derived from a multiplicity of partnerships based on solidarity between the public and private sectors.[21] Public-private partnerships also enable ambitious, innovative projects to operate on a sustainable basis taking social and environmental considerations into account. In Morocco, for instance, through strategic partnerships with non-governmental organizations, community groups and business enterprises, the government was able to spearhead a fight against poverty and social exclusion, promote adult literacy and informal education, and develop income generating activities and youth employment initiatives sustained over an extended period of time with tremendously successful outcomes.[22] In essence, public-private partnerships in developing countries can become instruments for modernization and renewal of public service delivery mechanisms. Furthermore, as Barbara Carroll and Terrence Carroll observe, public-private partnerships enable the legitimacy of public policies to be strengthened through greater involvement of development agencies, community groups and business organizations in the definition and implementation of policies with which they are concerned.[23]

However, actualizing or maximizing the potential gains from public-private partnerships require paying close attention to certain dynamics of horizontal management quite distinct from the traditional hierarchical or vertical-type relationships with which most governments are more familiar or comfortable.[24] It would appear, indeed, that the challenge then facing public administration is thus to manage programs that are delivered by more than one organization or entity. Mark Sproule-Jones observes that "despite the ubiquity of multiple interorganizational situations, and the apparent growth of partnerships by government with non-governmental organizations, there is no consensus about the dominant strategies and skills set of managers."[25] Sproule-Jones maintains that managers must develop skills for strategic collaboration in horizontal management

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[20] Tony Bovaird, Public-Private Partnerships: From Contested Concepts to Prevalent Practice", *International Review of Administrative Sciences*, Vol.70, No.2, June, 2004, 207.
[21] Ali Sedjari, "Public Private Partnerships as a Tool for Modernizing Public Administration," *International Review of Administrative Sciences*, Vol.70, No.2, June, 2004, 292.
[22] Ibid. 295.
[23] Barbara Carroll and Terrence Carroll, *Civil Society, Democracy, and Development*, (Paper prepared for the meeting of CPSA, 2004), 19-22.
[24] Sedjari, 293.
[25] Mark Sproule-Jones, "Horizontal Management," *Canadian Public Administration*, Vol.43, 2000, 96.

structures in which "there is no single superior."[26] The operational rules of service delivery under strategic partnerships will centre upon workflow interdependencies- and the imperatives of consensual agreements will dictate strategies and skills in overcoming obstacles to the interdependencies in question. This will require a reconceptualization of accountability, among other things, to include not only vertical but also shared or 'co-accountability', and an emphasis on collaborative leadership as requisite management skills.

Privatization in Botswana: A Country at the Crossroads

The one unique element of Botswana's experimentation with privatization is that it is not part of the the structural adjustment programmes imposed upon Africa and the developing word by the international financial institutions.[27] Rather, it is an intropective search for public sector efficiency and effectiveness- a policy agenda that is being pushed by some of the country's powerful elites, including private sector interests and even proponents within the academia.[28]

In order to put in proper analytical perspective the issue of privatization in Botswana, one needs to first of all lay out the background context of the role of the state in national development and how the state's perception of its role shapes the administration of development policies. Following that, I will go on to assess the state's re-examination of its role in light of its experience with implementing national development policies and programs, and how that self re-examination has led to the the emergence of the policy discourse about privatization as a mechanism to enhance public sector efficiency and subsequently national development. Next, I will evaluate the arguments in the policy discourse of privatization in Botswana, pointing out some of the theoretical and practical contradictions in the country's privatization policy package. Finally, I will offer alternative forms of enhancing public sector efficiency and national development, calling attention to the need for clear prioritization of reforms in ways that reflect the level and character of Botswana's developing economy and democratic politics.

Since the country's independence in the mid-1960s, Botswana, unlike much of Africa (whose post-colonial experience has been colored by nationalism, ideology and revolutionary populism), has always followed a pragmatic path to development, with a mixture of state intervention and openness to market forces.[29] Immediately after the country's independence, public enterprises were established with the principal mandate to provide a whole range of highly needed social and infrastructural services that the country's severely underdeveloped private sector could not provide (see the Political Economy of Botswana in SADCC).[30] Over the past 30 years, the Botswana government has employed various policy instruments aimed at diversifying its economy away from dependence on mineral (mostly diamond) and beef exports. Central to the state's development strategy towards economic self-relaince and sustainability was the policy stance of strategic and

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[26] Ibid. 97.
[27] Interview with Professor Sharma of the University of Botswana, October, 2005.
[28] (7th National Business Conference, 2002, Gaborone, Botswana)
[29] Raphaeli, Nimrod, et al, *Public Sector Management in Botswana: Lessons in Pragmatism*, World Bank, 1984.
[30] *The Political Economy of Botswana in SADCC*, Southern Africa Regional Institute for Policy Studies, 1995, pp.73-102

purposive resouce allocation across sectors and industries, and the creation certain public agencies to promote and nurture the country's private sector.

Some of the most important policy instruments include the Industrial Development Policy rooted in the Industrial Development Act of 1968 (revised in 1988, and revisited in the late 1990s), and other general private sector development incentives like the Financial Assistance Policy (first formulated in 1982, and eventually merged into the Citizen Empowerment Development Agency- CEDA), Selebi-Phikwe Regional Development Programme of 1988, and the Local Preference Scheme of 1978 (revised several timeswith the most recent being in 1997).[31]

In order to bring implement the above policy objectives, the government created several agencies vested with the mandate to implement various aspects of the government's private sector development policy. These agencies include the Botswana Development Corporation, Botswana trade and Investment Promotion Agency; National Development Bank, Botswana Savings Bank, and more recently in the last decade or so, Botswana Export Development and Investment Agency, International Financial Service Centre and the Citizen Empowerment Development Agency.[32] Although a detailed discussion of the mandate and operation of the above policies and agencies is beyond the scope of this paper, suffice is to say that these agencies are designed to be specialized extensions of the state's administrative machinery, positioned under central ministries like the Ministry of Finance and Development Planning (MFDP), and the Ministry of Trade and Industry (MTI). Thus the commitment of government to developing the private sector as a strategic partner in national development has been a striking hallmark of development governance in Botswana.

In spite of all the above policies and agencies, the results of private sector development and econimic diversification hav been less than encouraging. The private sector is still characterized by certain structural weaknesses.[33] Entrepreneurial capacity still remains low. The economy is still by and large mineral-dependent. This has resulted in a rather genuine perplexity over the right strategies and tools for attaining development national objectives. The complication is further compounded by the fact that by most- if not all- macroeconomic indicators, Botswana has an ideal monetary and fiscal environment for private sector development.[34] It is one of the best managed economies in Africa with economic growth almost consistently averaging 8% over the last 30 years, yet its private sector remains fragile.

In light of this disillusionment with the outcomes of development policy implementation, attention has been drawn to possible problems with the public sector. Two key questions are worth investigating: first, could it be that the configuration and processes of the country's administrative machinery lend themselves well to macroeconomic management but are ill-suited to the dynamic demands of strategic partnership with the private sector in achieving economic diversification? Second, could it be that the state is too involved in the economy in ways that crowd out or suffocate the private sector? The argument in this paper answers the first question in the affirmative and rejects the second question as false.

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[31] Siwawa-Ndai, Pelani, *Aspects of the Botswana Economy- Selected Papers*, 1997, pp. 338-340
[32] (Gaolathe, Baledzi, National Business Conference, 2002)
[33] Hope, K.R., From Crisis to Renewal: Development Policy and Management in Africa, 2002.
[34] Botswana's Economy since Independence (New Delhi: Tata McGraw-Hill Publishing Company limited)

It is true that Botswana's administrative machinery is ill-suited to an effective strategic engagement of the state within the market for the purpose of private sectpr development. Botswana's administrative system suffers from some of the pathologies of a highly centralized and hierarchical bureaucracy that may work well for macroeconomic management but prove stagnant and even moribund in dealing with the dynamic complexities of economic diversification through partnership with private actors. [35]

Botswana's public sector is a near-approximation of the Weberian ideal of bureaucracy with its hierarchical organization, departmentalization, division of labour, specialization, division of responsibility, the application of the merit principle, specific responsibilities assigned to every position in the public service in the form of job descriptions, and responsibilities defined by the Constitution.[36] The strength of this system is that it is well rooted in the normative foundation of public administration in democratic polities, which rests on regime values, constitutional theories and citizenship theories, among other things.[37] Boundaries serve many purposes. They establish in clear terms who has legitimate access to certain decision-making arenas, and who is responsible for what. They make it possible for those who occupy senior positions to exercise control and hold subordinates to account for their decisions and activities. Botswana's doctrine of ministerial responsibility is logically consistent with these forms of bureaucratic boundaries.

However, these established boundaries of bureaucratic organization have come at a cost to the country's ability to engage the private sector in achieving economic diversification. Barbara Carroll and David Siegel's work on the pitfalls of bureaucracy provides an instructive analytical lens for evaluating Botswana's challenges in certain policy implementation, especially economic diversification[38]. In Botswana there is too much of a rigid hierarchical relationships between certain ministries and their field agencies in ways that constrain the autonomy and managerial flexibility of the latter.[39] Paradoxically, such hierarchical rigidity has tended towards a lack of unified or unifying organizational vision or culture, creating a situation where one finds divisions in orientation and perspective not only between ministries and public agencies, but also between public agencies that are supposed to have interrelated and synergistic mandates.

There is also the lack of embeddedness of public agencies within their environment of operation as a result of the preoccupation of certain central ministries, especially Ministry of Finance and Development Planning (MFDP), with seeking to achieve responsibility and responsiveness from public agencies. Senior level bureaucrats are often preoccupied with establishing and maintaining mechanisms to ensure that subordinates in field agencies are complying with head office rules and procedures. This is not necessarily a bad thing, and is arguably necessary in a democratic system. Yet preoccupation with this goal often conflicts with field agents' need for some relative freedom to be responsive to local situations within a given sector of the economy.

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[35] Good, Kenneth, *Towards Popular participation in Botswana*, 53-72;
See also Macro-Economic Management and Bureaucracy in Botswana pp.17-30)

[36] Stedman, S.J., The Political Economy of Democratic Development, 1993, pp.114-7.
[37] Terry Cooper, "Big Questions in Administrative Ethics", *Public Administration Review*, Vol.64, No.4, 2004, 396.
[38] Barbara Carroll and David Siegel, *Service in the Field*, (McGill-Queen's University Press, 1999), 130.
[39] Granberg, P. and Parkinson, *Country Study and Norwegian Aid Review*, 1988.

MFDP's operational ethos has been characterized as one of command and control of processes in ways that reveal a lack of intimate understanding of clients' needs whereas field officers tend to be more attuned to those needs yet subjected to all the stifling controls from above.[40] In other words, there exists a great divide- a fractured reality- that separates the "worlds" of ministries and field agencies both vertically between ministries and agencies and horizontally among agencies.

Another dimension of Botswana's bureaucratic organization is the uneasy tension between the equally compelling goals of differentiation and integration. Differentiation refers to the need for a division of labour so that each organizational unit has a set of specified duties and responsibilities, whereas integration is concerned with the coordination of activities of these separate units. While MFDP and the Ministry of Trade and Industry (MTI) share different responsibilities and definitely need clear distinctions in their operational mandates, much fragmentation in policy implementation could be overcome by a closer coordination between these two ministries.[41] Failing to integrate their operational strategies has tended to create conflicting priorities and uneasy tensions between MFDP, more preoccupied with financial conservatism, and MTI which has an operational predisposition towards development resource allocation. Given the hierarchical superiority of MFDP, the general policy stance tends toward fiscal conservatism. Different signals from different ministries and senior bureaucrats can leave fields agencies confused and torn between conflicting policy priorities.

In a nutshell, the administrative machinery of Botswana is highly bureaucratuc, hierchical, and overly centralized in the MFDP. This has resulted in three interrelated problems of institutinal rigidity (or lack of agency autonomy and flexibility); organizational fragmentation (or the lack of interlinkages between between agencies); and weak legitimacy (the failure of agencies to be well embedded in relational networks with private sector partners).

In light of the above, there have been clarion calls from various quarters (not least, the private sector which has been the most disillusioned beneficiery or client) for public sector reforms to address the pathologies of Botswana's administrative machinery and reduce the stagnation in the government's private sector development program.[42] Not surprisingly, the conventional wisdom of privatization provides an attractive alternative in the face of simmering disenchantment with the public sector. The underlying assumption is that shrinking the state will create space for market actors who will step in and do what the government has been doing- or has failed to do effectively.

This paper argues that rather than yielding to the tempatation to shrink the state by disvesting state enterprises as a short cut to private sector development the government needs to strengthen its commitment to strategic partnership with the private sector with the fundamental principle of active engamenment in the market geared towards enhancing private enterprise develoment. Administratively, this means that the government needs to review the mandates and configuration of its implementing agencies and their relationship

[40] (interview with a senior official at the Botswana Institute for Development Policy Analysis (BIDPA), October, 2005.

[41] (interviews with an official at Botswana Export Development & Investment Agency (BEDIA), September, 2005.

[42] National Business Council 7th Session, 2002.

with ministries and departments for the purpose of building the necessary capacity toward a more purposive, engaged, entrepreneurial partnership with the private sector.

In Botswana privatization is broadly defined as encompassing "all the measures and policies aimed at strengthening the role of the private sector in the economy".[43] Several forms of privatization have been identified and targeted, including divestiture, contracting out, franchises, concessions, commercialization and corporatization, among others.[44]

There are several reasons given for making privatization a policy priority in Botswana, including "reducing the size of the public sector, promoting competition, improving efficiency and increasing productivity of enterprises, and accelerating the rate of economic growth by stimulating entrepreneurship".[45] But as already maintained above, the two main reasons for privatization could be summerized as; first, to enhance public sector efficiency; and second, to promote private sector development.[46] Much of the policy discourse among government, private sector and academic proponents of privatization seem to suggest that divesting public enterprises and/or contracting public service delivery to private actors will be a useful policy tool in achieving private sector development. The curious aspect of using privtization as a policy tool for achieving private sector development seems to spin the logic of privatization on its head. Whereas popular privatization discourse around the world tends to make the assumption of well functioning markets as a necessary condition for privatization, Botswana is taking the rather confounding trajectory of divesting its public enterprises to a private sector that is fraught with structural weaknesses, low capacity and poor entrepreneurial ethos.[47]

The danger is that using privatization as a vehicle for arriving at private sector development risks the danger of ironically compromising national development by transfering responsibility for public service provision to market actors that hardly possess the technical capacity and entrepreneurial maturity to handle the complexities of efficient and equitable service provision and delivery to all citizens. The counter to this charge would be that most of the bidders for spublic enterprises may end up being well established foreign businesses (where there is no competent local private business to buy such enterprises or contract for their service delivery).

Yet this leaves unaddressed several governance issues like equitable provision of piblic services and the capacity of government to monitor, or enter into complex partnerships with international or foreign businesses that may take over the politically sensitive task of delivering services once provided by public enterprises . It further raises the ironic situation whereby as foreign businesses bid out local businessed, based on the former's superior capacity in financial resources, organization and personnel, there is potential for the marginalization of the local businesses that the government has been seeking to nurture and develop in the first place.

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[43] Ministry of Finance and Development Planning, *Privatization Policy for Botswana*, Government paper No.1, 2000.
[44] Ministry of Finance and development, *Privatization Master Plan,* 2005
[45] Privatization Policy in Botswana
[46] Galeforolwe, (Director of PEEPA), National Business Conference.
[47] The Role of Government in Growth and Income Distribution: The Case of Botswana.

There is much mention in various national documents policy documents[48] about creating the institutional and legal environments to guard the public interest and ensure that developmental objectives are secured within divestiture agreements or service provision contract (These documents also make reference to the processes of participation and accontatbility and public awareness of progress with privatization. However, it hardly addresses three centrally important challenges: first, the issue of the government's structural inadequacy to monitor such privatization programs;[49] second, the structural weakness and low entrepreneurial capacity of the private sector in Botswana; and third, compromising the government's commitment to private sector development through strategic public-private partnership whereby public agencies engage in cooperative network relationships with the private in working towards economic diversification.

The point worth emphasizing is that whereas proponents of privatization are right in pointing out the need for public sector capacity development in Botswana, they are misguided in their call for rolling back the state through privatization as the panacea. This is not to suggest that privatization will always be wrong. Instead the aim here is to make the case that what Botswana needs at this point is to focus on developing a capable private sector that can take over from government. Achieving this means strengthening the capacity of public sector organizations in carrying out their policy mandate of strategic partnership with the private sector. In short, what the government needs to address as a matter of policy prioirity is to identify ways of addressing public sector efficiency without undermining its commitment to active interventionist and pragmatic management of national development, and an equal commitment to private sector development through strategic partnership formation with business organizations in Botswana.

However, building such capacities would require a reoriention of the government's management structures and processes toward creating the institutional and organizational environment that will empower these agencies to be more actively engaged with private sector partners in bringing about economic diversification and private sector development. It would require a relaxation of agencies from the bureaucratic rigidity, hierarchy and centralization that have characterized Botswana's public sector.[50] It would necessitate the adoption of strategic mangement or managerialist processeses in building the necessary flexibility and embeddedness of state agencies. This reaises issues of decentralization (through deconcentration and devolution) towards embedding government deeper into the market and society.

The overcentralization of policy formulation, implementation, supervision and implementation within MFDP is hardly conducive for building the government's capacity in network governance for private sector development, among other things. This has worked well for the the management of the macroeconomy. However, achieving private sector development through economic diversification requires an entrepreneurial state engaging in strategic and fluid partnerships with business organizations in overcoming structural constraints and nurturing entrepreneorual capacities.[51]

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[48] See Privatization Master Plan**,** See also Privatization Policy in Botswana
[49] Interview with Director of PEEPA Director
[50] (Interview with BIDPA Official, See also BIDPA Briefing: *Public Sector Reform*
[51] 7th Annual National Business Conference

Moreover, the imperatives of legitimacy in a democratic polity would necessitate the ceonceptualization of governance to include the state's ability to protect the common good and cater to the needs of its citizens. Until the capacities are built for strategic mangement of public private patnerships, and until the domestic market possesses the requsite maturity and capacity, it would be too early for Botswana to rush into wholesale privatization. It needs mentioning at this point that developing strategic management processes toward horizontal network governance need not conflict with traditional public administration values such as neutrality, accountability, responsiveness, representativeness, and equity. It is possible to maintain general rules, input controls and uniformity of organization while enhancing public agencies' autonomy to manage, build inter-agency network linkages towards organizational and policy coherence, and deepen embeddedness through public agency and private sector partnerships.

In view of the above, one should see that juxtaposing traditional administration and strategic management is an exaggerated dichotomy. Beyond the recent polemics that have characterized the debate in public sector reform, the issue of public sector efficiency and effectiveness is not antithetical to traditional public administration.[52] Whereas public administration is "government in action" and hence should be bound by due process, it should also rightfully concern itself with how policies are to be administered "with enlightenment, with equity, with speed, and without friction."[53] Citizens expect government to produce results. They are no longer tolerant of inefficiency or ineffectiveness. There could be a positive synergy between the two in that the values of traditional public administration would have the big advantage of making government accountable to the citizens on the one hand, and strategic management enhances its responsiveness and flexibility in dealing with the exigencies of policy implementation in complex and dynamic environments on the other.[54]

In conclusion, the task facing public sector reform in Botswana at this point should not be the divestiture of public agencies or contracting out of state activities to the private sector under abstract assumptions about market superiority over administrative mechanisms. Instead, the important task is to discover better approaches to building the requisite capacity- approaches which address popular dissatisfaction in ways that take into consideration the realities of good governance in a democratic polity. These other alternative approaches to public sector reform should also focus on enhancing the capacity of governments without necessarily shrinking their functions and responsibilities. Strategic and cooperative public-private partnerships in which governments are substantially involved in active development management hold the potential for improving efficiency and service delivery by allowing governments to exploit the managerial flexibility, organizational competence, and positive synergies that could be generated from collaborative arrangements.

It is the position of this paper that addressing the issues of public sector efficiency necessitates the building of the state's administrative and organizational capacity. It will require new forms of management- strategic management in coordinating network of

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[52] Woodrow Wilson, "The Study of Administration" in J. Shariftz and A. Hyde (eds.), *Classics of Public Administration*, 3rd ed. (Brooks Cole, 1992), 11.
[53] Ibid. 19.
[54] Robert D. Behn, "The New Public Management Paradigm and the Search for Democratic Accountability," International Public Management Journal 1:2 (1998), 132.

organizations in the public and private sector within any given policy field or program delivery. Strategic management requires new sets of skills that will necessitate reorientation away from the bureaucratic centralism and vertical top-down hierarchy of traditional administration to more horizontal, coordinated governance of networks of organizations- public and private.