Privatisation as a Vehicle for Economic Development: An Appraisal

Brothers Wilright Malema* and Galeage Kaelo†

Abstract
The 'Neoclassical Counter Revolution' school of thought emphasised privatisation as a vehicle for economic development. This school owes its existence to the political ascendancy to state power by conservative governments in the United Kingdom and the United States of America amongst others, around 1980. The 'Washington Consensus' was not to be outdone as it included privatisation amongst its ten policy prescriptions. The 'Washington Consensus' policies were a product of intellectual convergence by the three Bretton Woods institutions. It seems that privatisation has endeared itself to policy makers and is universally perceived as a vehicle towards economic development, save for a few exceptional cases for which China stands out. This paper interrogates this view and highlight that it deserves contextualisation for the realisation of maximum returns. Privatisation should consider other factors, far and above the 'overemphasised' productive efficiency. We conclude that such a policy might be counterproductive in a developing country with high unemployment and poverty rates such as Botswana. We also agree without question that 'it is what the doctor ordered for a healthy American economy' and others comparable to it, with the unemployment rate hovering around the natural rate.

Introduction
Privatisation refers to the change of ownership of assets from the state to private individuals and entities. It refers to a process of transference of ownership of business, enterprise and public service from state to private sector, with the latter comprising private profit and/or private non-profit organizations. This calls for well-defined property rights, which despite being the cornerstone of economic systems have always, until the writings of Coase amongst others been assumed a given and the phenomenon of privatization did at the same time gain prominence (Drakic 2007:103-104). The author goes on to note that property and property rights were not new, as they have according to theory of natural law, been recognised as belonging to the natural rights which belong to people. Privatisation dates back to ancient Greece and Roman Republic in which governments contracted out to the private sector functions such as tax collection and construction amongst others.

The phenomenon owes its popularity in the Western countries to the Reagan and Thatcher administrations (Smith and Todaro 2009:126 and Drakic 2007:105). In the capitalists economies it was both isolated and for individualistic cases, which were predominantly pubic goods or the so often natural monopolies, in which only a single firm could be able to produce a low cost than multiple firms. It was, however, very comprehensive in the transition economies of East and Central Europe as it entailed the complete change of economic systems. It was comprehensive in part because it had the hallmarks of political, economic and social transformations. Drakic (2007:106) refers to Vickers and Yarrow (1988) as pointing out that privatisation in the West is very high on the political agenda even though they explore economic consequences with a view to portray it just an economic phenomenon. Political dimensions of privatisation are replete across the economic divide of both the former socialist and traditional capitalist economies.

Privatisation policy swept the world in the last two decades of the past century. The value of privatised property was in excess of US$1,127 billion by the end of 2002. The lion's share of such proceeds which amounted to 67 percent was amassed by the industrialized countries (Bortolloti and Pinotti 2003:2).

---

* Brothers Wilright Malema, Department of Economics, University of Botswana.
Email: malemabw@mopipi.ub.bw
† Galeage Kaelo, Department of Research, Bank of Botswana. Email: galeagek@bob.bw

Methods of Privatisation

There are many forms of privatisation, ranging from the outright sale of government's entire stake to partial sale, leases, management contracts, and the opening of previously restricted sectors to private entrants and competitors. The methods can be summarised as follows:

- Share issue privatisation –selling shares on the stock market.
- Asset sale privatisation –it refers to selling an entire organisation or part of it to a strategic investor.
- Voucher privatisation –distributing shares of ownership to all citizens, usually for free or at a very low price.
- Privatisation from below –start-up of new private businesses in formally socialist countries.
- Management buy-out. Under this approach, the entire affected enterprise or a substantial part of its equity capital are sold to the workers.
- Outsourcing or Contracting Out. Here a government chooses via competitive bidding, a private contractor to provide the service. A government determines the service level and pays the amount specified in the contract, but leaves production decisions to the private contractor. Although the service is ultimately paid for by the taxpayer, the government makes the actual payment to the provider.

Why Privatisation?

Privatisation is widely promoted as a means of improving economic performance. Others argue that it strengthens the role of the private sector in the economy to guarantee employment and higher capacity utilisation (Megginson and Netter 2001:324). While we agree with privatisation's strengthening capacity we doubt the latter benefits attributed to it. However, the policy remains controversial and the relative roles of ownership and other structural changes such as competition and regulation, in promoting economic performance remain uncertain. The main purpose of this article is to answer the question about whether a country could be better or worse-off when a policy of privatisation is implemented.

It is universally considered a betterment elixir if not a panacea to inefficiencies with which most of the state-owned enterprises (SOE) are fraught. It is believed that the privatisation of state-owned enterprises serves to improve efficiency (Drakic 2007:116). The proponents of this view argue that government, unlike private property owners, has limited incentives to promote an efficient and cost effective management of state-owned enterprises. Besides the argument of efficiency promotion, the deterioration of fiscal positions has also been instrumental in the privatisation of state-owned enterprises. This is achieved through the generation of revenues, which boost government coffers and the curtailment of subsidies. Italy with its centre-left government privatised and recouped US$135 billion in the process when faced with unfavourable fiscal conditions. The developing countries were at the time of the privatisation sweep, compelled to privatise a considerable chunk of their state-owned enterprises owing to pressure from the International lending agencies (Bortolloti and Pinotti 2003:2). Besides easing of fiscal deterioration and inefficiencies, it is a widely held view albeit controversial that large public sectors breed political corruption (Bortolloti and Pinotti (2003:9). By privatising state-owned enterprises, political corruption resulting from bloated bureaucratic system will be suffocated. The experience of the Nordic countries negates this view as they have large public sector with low corruption levels.

The Political Economy Approach

The political economy approach seems quite effective in explaining the determinants of privatisation. From this view point, Bortolloti and Pinotti (2003:4) posits that the largely held view is that right-wing governments inclined towards market economy and privatisation are most likely to privatise, whereas the leftist governments with their passion for social equality were likely to broaden government and thereby be anti-privatisation. It is no wonder, therefore, that Williamson (2000:254) points out that the preference for privatisation or lack thereof is considered a 'litmus test' as to whether one is capitalist or socialist (Bortolloti and Pinotti 2003:11). The left-wing governments may still redistribute the proceeds from privatisation. The two authors are also of the view that political considerations should only matter in as far as the privatisation models are concerned.

The majoritan political systems were more likely than the proportional political systems to privatise due to limited veto players, and thus higher executive stability. The ascendance to the highest political office in Britain by Margaret Thatcher in 1979 ignited the privatisation process although it had not been explicit in her election agenda. The phenomenon gained momentum following her re-election in 1983, and was top priority in the 1987 election manifesto in which her Conservative Party was once again re-elected (Bortolloti and Pinotti 2003:2).

The privatisation tug of war along political inclinations is quite profound for France as evidenced by frequent nationalisations and privatisations as socialist and conservative governments respectively assumed power. In the early 1980s the socialist government was voted into power and immediately it nationalised five industrial firms, two financial firms and 39 banks. In 1986 the conservative government of Chirac assumed power and immediately it privatised 13 firms and financial institutions. The return to power of the socialists between 1988 and 1992 stopped the privatisation wave. However, the loss of the presidency by the socialists to the conservatives in 1993 reignited the privatisation process and by the end of the 1990s, most of the firms, which had been nationalised in 1982, were privatised (Bortolloti and Pinotti 2003:5). This is a classic example of the influence of political orientations on privatisation.

Privatisation Markets

Whereas the ordinary market rules are the major determinants of demand, supply and price formations, this is not applicable in privatisation market. The state enjoys privileges and exploits them fully in this market. As a seller, the state initiates and manages transactions exclusively and unilaterally irrespective of whether it wants to sell or give away its property rights (Drakic 2007:107). Much as the seller in both the ordinary market and the privatisation markets has the exclusive and unilateral right to dispose of his/her property, there is a significant difference between the two. Here in lies the difference; the buyer can initiate some exchange in the ordinary market, and price is the major and possibly sole determinant of transactions. The price is determined through the ordinary market rules. In the capital market, price solely determines the sale of privately owned companies. However, this is not the case in the privatisation market, as the government may attach some conditions to the sale of its property. In addition to the price, the government may call upon the potential buyer to commit to certain conditions, some of which could be the fulfilment of technological requirements; certain employment levels, future investment plans, social networks for redundant workers, restructuring programs, and others. The government as a seller seeks more than the pure economic goal as given by the higher price even though some of the goals may in some instances be contradictory (Drakic 2007: 107).

The price determination for state properties do not follow the laid-out rules in ordinary markets and is a culmination of negotiations between the state as a seller and the potential buyer. If they fail to agree, it does not follow that the negotiations with the next potential buyer are influenced by previous prices. There is no benchmark for prices of state property as even the prices of companies with existing buildings and equipment similar to those of the state are irrelevant. This is because it is not the equipment or buildings, which are up for sale but rather the complex organisation of the company, which comprises material and non-material elements such as brand, image, knowledge base, among others.

The other alternative has been to use the Tobin's q theory as a means of price determination on the privatisation market. This approach states that the price of the state property is the sum of the discounted future profits generated from the property for sale which is limited by the absence of a capital market upon which the said sate property's value is determined (Drakic 2007:108). The capital market follows privatisation and not the other way round. The other limitation is that the approach assumes that the profitability of the envisaged privatised property will remain the same, a factor that is in contrast with the purpose for privatisation.

Privatisation transactions cannot be explained by equilibrium models, irrespective of whether they occur within capitalist economies with well-developed capital markets or ex-socialist economies with dominant state property. This is because privatisation is not purely an economic phenomenon. It encompasses other aspects, which are by their nature political or/and social (Drakic 2007:109).

Impact of Privatisation

The success of privatisation in terms of efficiency improvement is contingent upon the existence of competitive industries. High levels of competition within industries contribute significantly to improved output, profitability, and efficiency. The efficiency gains are said to have a one-off increase in gross domestic product (GDP) whereas incentives aimed at reducing costs tend to foster the rate of economic growth. This is most likely to happen within industries such as manufacturing, and retailing. An increase in efficiency is expected to culminate in lower prices, more choices, low corruption, quicker delivery, and enhanced quality amongst others.

The aforementioned gains are not necessarily likely to follow, and the results are mixed for natural monopolies or public services. This is primarily attributable to the observation that a public monopoly behaves more in the same manner as does a private monopoly as per liberal economic theory (Megginson and Netter 2001:330). Government is deemed appropriate as a natural provider of public goods, and services. In cases of inefficiency in this particular instance, reforms such as greater accountability and transparency of management, improved cost-benefit analysis, improved internal controls, regulatory systems and better financing can be used to improve efficiency rather than privatisation (Megginson and Netter 2001:338).

Microeconomic Impacts

Majority of studies report post-privatisation increases in profitability, efficiency and returns to shareholders, in terms of the effects of privatisation at the level of the firm. These positive effects are estimated to occur in about two-thirds to three-quarters of the total number of privatisations (Megginson and Netter 2001:381). Economic theory, either in its neo-classical or amended form offers no logical explanation of a definite advantage of private ownership. The most likely explanations for these improvements are improved information and incentives for managers and increased isolation from political interference, which are of great importance in the success of any firm (Sheshinski and López-Calva 2003:434).

Macroeconomic Impacts

A number of studies demonstrate that privatisation provides an opportunity for governments to redirect their expenditure from non-productive subsidisation to more socially beneficial uses (Sheshinski and López-Calva 2003:430). But privatisation does not guarantee that opportunities will be seized, and that the funds will be wisely applied. In order to analyse the impacts of privatisation, the question should not be whether the position of the firm or government has improved or worsened due to privatisation, but rather: what was the privatisation's impact on the economy as a whole; what significant economic variables have changed as a result of the privatisation?

Privatisation raises the prices for essential goods and services, especially water, sewerage services and electricity. Under state-ownership many governments set utility prices at less than cost-covering levels. Critics argue that the size and speed of price adjustment after privatisation is often excessive, and unjustified and result in harsh impacts on low income consumers. Few poor countries have been the subject of analytical and impact focused studies.

Despite a theoretical presumption and casual observation that private ownership is more efficient, research results are divided and the number of success stories is small and concentrated in the field of service provision. Initial conditions, modes of privatisation, institutional environments and the capacity of governments to regulate determine efficiency outcomes. Most of the studies emphasise the supremacy of competition over ownership and deregulation (Sheshinski and López-Calva 2003:437). Megginson and others (1994:356) found that profitability rises for privatised firms. They found that privatisation reduced debt ratios and increased dividend payout and that improved performance does not necessarily require price increases.

For most countries, it is too soon to arrive at any firm judgment on the real impact that privatisation and the transition to a free market will ultimately have on labour. Workers may also gain where severance pay was offered or from higher wages resulting from greater managerial efficiency and increased productivity.

An Appraisal of Privatisation

In this section we wish to raise our concerns and reservations on privatisation. Much as some of our arguments will in some cases be consistent with those raised by some authors, in some instances we differ with some of those arguments, and try to justify our differences. We wish to point out that inefficiently run state-owned enterprises are a cost to society and we strongly advocate for efficiency within these enterprises. It is believed that privatisation is pursued primarily for three reasons, efficiency, improvement of governments' fiscal conditions, and the elimination of corruptive practices. It is important to critically asses the above and their suitability and relevance to the Botswana economy. This is appropriate given the emphasis in some economic circles that economic policies could be time and geographic specific (Williamson 2000:256). It is therefore in order that policies should be analysed within time, geographic and economic contexts in order to determine their relevance and appropriateness. It is on this basis that we consider the policy of privatisation worth of some investigation with regard to its suitability to the Botswana economy.

Botswana's privatisation policy attests to the different economic backgrounds underlying the need for privatisation between Botswana and the rest of sub-Saharan Africa. The policy points out that in most of SSA, privatisation is a conditional requirement imposed by donor agencies, under the stabilization or structural adjustment programme agreements. However, in Botswana it is driven by the desire to improve efficiency in service delivery, development and growth of citizen business sector and the expansion of the country's growth potential through inflows of foreign direct investment (FDI) and technological transfer (Ministry of Finance and Development Planning, MFDP, 2000:1).

Employees and Unions are always concerned about the retrenchment effects of privatisation to which the policy underplays such concern by pointing out that retrenchments if any will be corrective of previous flawed hiring practices. Such could not be attributed to privatisation but inefficiencies of state owned enterprises (SOE), the policy points out (MFDP 2000:13 and Makgala *et al* 2007:176).

It is noteworthy to mention that despite the government's objective to privatize more than a decade ago, not even a single entity has been privatised up to date. The only milestone this far has been the merger of Botswana Export Development and Investment Authority (BEDIA) and Botswana International Financial Services Centre (IFSC) into Botswana Investment and Trade Centre (BITC) (Public Enterprises Evaluation and Privatisation Agency, PEEPA, 2012:17).

Efficiency

The rationalisation of privatisation as an efficiency booster is suspect and is primarily determined by the nature of the market structure. It thrives best under competitive conditions, which are necessary for efficiency. The privatisation of a public monopoly into a private monopoly does not alter, at least significantly if at all it does, the efficiency of such an enterprise. Proponents of privatisation as a means of promoting efficiency centre their argument on the believe that managers running private enterprises have a direct incentive on the profits earned by such entities, and if not to those who have direct stakes in profits of such institutions. The fear of bankruptcy in privatised institutions sets a floor to the inefficiency unlike the public institutions that have access to subsidies (Williamson 1990:7).

It is our view that accountability to those who have stakes in the profitability of institutions or direct incentives to institutional profits do not have to be contingent upon whether ownership is private or public. Incentives and accountability can still be cultivated within publicly owned private institutions. The only differences might be how such is achieved, and that such is achievable under public ownership is in our opinion highly possible and desirable. Such an argument that centres on faith will without doubt lose significance in an environment characterised by lack of such faith. We conclude therefore, that privatisation is not a prerequisite for efficiency under this argument. To cultivate incentives, which are believed to be instrumental in promoting efficiency, the government should rather contract out the management of inefficient state-owned enterprises and reward the management in line with profits.

We however share the sentiments that competition is important for efficiency. This is well engrossed within the economic literature, and as such we consider it beyond refute. The cause of disagreement will be on the rightness or lack thereof, of a public entity competing with the privately owned entity. Proponents of privatisation might argue that such competition is unfair for privately owned enterprises, and may in some cases crowd them out. This is based on the thinking that the public sector has access to unlimited government funding or subsidies. It is our contention that government enterprises should be run fairly and efficiently in-order to minimize or even eliminate the use of subsidies. The financial benefits accruing to government, and by extension citizens should be weighed against the associated losses borne by private institutions in cases where the two are competing against each other. If the net benefits are positive, then such competition should be embraced.

Botswana Telecommunication Corporation (BTC) is currently offering both landline and cellular networks. It is the only enterprise providing landline services, in which case it is enjoying monopoly in the sector. However, with regard to cellular networks, there are two other cellular service providers, namely Mascom and Orange. Surprisingly, BTC charges low rates per minute compared to the other cellular networks, both of which are private. This gap between prices may need investigation to establish the disparities. Could it be that BTC is enjoying some subsidy from government, which lowers their costs and allow it to charge lower prices? On the other hand, could it be that they are more efficient or are they enjoying the support of the landline services they provide, for which they enjoy some monopoly. We should have solace in the knowledge that BTC has been profitable at-least of late.

The Fiscal State of Government

The deterioration in fiscal conditions has been an impetus for privatisation in some countries as governments tried to raise revenue through the process. In some cases, the lending international institutions have made it a conditional requirement that countries privatise in-order to get financial loans. Privatisation aimed at resolving fiscal deterioration has been able to help resolve the problems. It is, however, of interest to know how such fiscal improvements are sustained given that such privatisation revenues are a once off development. This approach is desirable in cases where the concerned state-owned enterprises have been dogged by efficiency improvements and their survival has been premised on the provision of subsidies. Privatisation in such cases serves to generate revenues necessary for easing fiscal deteriorations, and for helping reduce the expenditure side of government by eliminating the necessary subsidies. This move is welcome where efforts by government to improve the efficiency, and the subsequent profitability of the concerned institutions have failed. Despite all these, we are of the view that if the fortunes of the institutions could be turned around under private ownership, then the same could be realised under state ownership. However, by privatising, the government may in the process burden herself with the need to avail social safety nets for the retrenched workers and their dependents. The benefit-cost aspect of privatisation should consider these dimensions of the process.

The Corruption Aspect

It is argued that the Nordic countries have relatively lower levels of corruption despite their broad based public sector. We are thus convinced that there are lessons to be learnt from their experience. From such an experience, we opine that pursuing privatisation, as a means to curtailing corruption is not as much convincing as the proponents of the phenomenon will have us believe. We are actually of the view that privatisation might be a vent for political corruption. It should be borne in mind that in any economic system there are diverse interest groups or stakeholders. To be of the view that policy makers are advancing the interests of the nation, and not their own should be perceived with some degree of suspicion. This is not farfetched, particularly in light of Williamson's (1990:7) observation that Washington does not always practice what she preaches.

Botswana has been ranked the least corrupt country in Africa for more than a decade by Transparency international. The country's highest ever attained ranking globally was 23 in 1998. Since then the rankings have dropped to a low of 38 in 2007 before dropping of to 30 in the last two years 2012 and 2013.

Botswana's levels of corruption though impressive by Transparency International standards, have been doubted by some local analysts. The country's high reputation for good governance is said to have crumbled since 1991 in the face of scandals as highlighted by amongst others the Kgabo report on illegal land-deals, Botswana housing cooperation and National Development Bank (Good 1994:500). Kenneth Good indicates the possible continuance of corruption and mismanagement unless the perpetrators were effectively brought to book, accusing many in the leadership of looting financial institutions as well as diversion and wastage of public resources (Good 1994:519 and 521).

The recent scandals bedevilling the Glass project in Palapye, falling under the auspices of Botswana Development Corporation and the near collapse of Botswana Meat Commission have once again put the country's credibility on corruption on the spot light and put to question the country's impressive international ranking.

Redistribution Effects

Changes in ownership of property have effects on the livelihoods of individuals and groups within society (Drakic 2007:103). The transference of ownership of state-owned enterprises into the hands of private individuals and entities has serious distributional effects, the impact of which are adversely and directly felt by the retrenched workers, and their dependents. There are other oblique adverse effects, which come with privatisation. Such effects may include the reduced ability of government to sustain some expenditure due to long running diminished revenue inflow resulting from the curtailment of dividends. The arguments that government can use the revenues from privatisation in a distributional capacity to offset adverse distributional effects disregard the fact that the revenues from privatisation, though substantial tend to be a one off thing phenomenon. The sustainability of redistribution by government to offset the adverse distributional effects of the phenomenon are beyond doubt not guaranteed, and the likelihood is that such is not sustainable without new and alternative sources of government revenue.

In privatising it should be borne in mind that the new entity under private ownership will in all likelihood experience an increase in profitability. Such increased profitability will in most cases, be engineered by retrenchments of workers. The shareholders will share the increased profits, with the government earning tax revenues. The government as a guardian of national resources deprives the citizenry the ownership of the enterprises, hence dividends by privatising. In most cases, it will only be the most privileged, particularly in a society such as the Botswana one, which is replete with high levels of inequality, who will be able to buy shares and amass wealth and thereby increase the inequality gap. The GINI coefficient based on disposable income stood at 0.573 in 2003/04 and the one based on disposable cash income stood at 0.626 in the same year (Central Statistics Office 2004:22). It is a measure of the degree of inequality within a country with the value zero reflecting perfect equality whereas the value connotes perfect inequality. The decision to privatise is primarily a choice between social justice and its absence in the form of promotion of inequality. Even in the case where the enterprise is unprofitable due to inefficiency, such misfortunes can be turned around without privatising the enterprise.

One concern that might be paramount and legitimately deserving of discussion might have to deal with the fairness of government competing with privately owned enterprises. If the government competes fairly with the enterprises, then there should be nothing wrong with that. On the contrary, would it be fair for the government to promote the interests of a few private shareholders through privatisation at the expense of the majority who stands to lose jobs and incomes? This issue might rest on what the objective of government is. We would like to believe that governments pursue multiple objective functions, and a balancing act between these various objectives is necessary. Is it about the improvement of national welfare that is sustainable or merely a promotion of economic growth with limited development as measured amongst others by the betterment of life of the citizens amongst others? It is our believe that the government as a guardian of national resources should aim for a better life for the majority. As has been pointed out long ago by Adam Smith (1776) the pursuit of self-interest has a tendency to promote the national good, as men who are inspired by the desire to advance their self-centred course will collectively advance the course for the national good. As an illustration, an investor who opens up a business enterprise does so to earn financial benefits through the maximization of profits. In the process of pursuing his dreams he creates employment thereby improving the financial conditions of others.

We, however, think that the exception to these may be in cases where privatisation, though advancing the interests of a few including the policy makers might be detrimental to the majority within a country. This view is particularly relevant to the case of Botswana where unemployment levels are as high as 17.8 percent (Statistics Botswana 2011:5). By adding to this substantial pool of the unemployed, we will be promoting the phenomenon of unemployment growth, which is fast making inroads into different economies. The inflow of Foreign Direct Investment (FDI) into Botswana has been largely into the mining sector and less so in the sectors earmarked for diversification (Malema 2008:51). The prospects for the establishment of new private institutions and employment creation are therefore slim. Privatisation will thus aggravate the unemployment situation and existing income inequalities. However, in cases of low levels of unemployment, privatisation will through retrenchments help in availing labour where it might be in short supply. Privatisation will in this case not only release workers to where they might be needed the most, but will also lead to increased remuneration levels. It will be a welcome move in these kinds of cases. Given the high levels of unemployment in Botswana, it is doubtful that the retrenched workers will be absorbed somewhere within the economy while the retained workers will most likely have increased earnings.

The training of retrenched employees as a means to reverse the adverse redistributive effects of privatisation ignores the problem of high and increasing graduate unemployment. The thinking that retraining helps to make the retrenched workers employable somewhere within the economy is premised on the misguided thinking that employment opportunities are in existence, and that their retraining will give them employment. The reality of the matter is that some of the economic theories upon which our thinking is based seem to have lost touch with reality. It is almost a fallacy to posit that countries endowed with certain resources such as labour should concentrate in production areas requiring labour the most. The infiltrations of modern technologies such as computers have served to substitute labour and render such economic thinking irrelevant.

Private ownership advances private interests with little regard, if any, for citizen welfare. The broad benefits accruing to the economy and the citizens are a by-product of self-driven interests. The government on the other hand gets its mandate from the people to pursue their interests on their behalf. It is upon this mandate that the government will in the spirit of the Two Sector Lewis Model reinvests the profits in-order to advance the course of industrialisation, employment creation and income distribution. This is not guaranteed under private ownership. Development requires that the economic benefits should be spread across the broader population, and privatisation seems to work against this notion in cases where high levels of unemployment and inequalities are the order of the day. That privatisation increases the role of the private sector in the economy is without doubt. However, we doubt if it serves to advance the welfare of the majority particularly the poor and the unemployed.

Conclusion

Williamson (2000:256) argues that the ten policy instruments that have come to be referred to as the Washington Consensus were earmarked for Latin America for a particular time. It follows, therefore, that the application of the same policy instruments to the same area at a different time than was initially intended may misfire. Alternatively the implementation of the same policy prescriptions to a different geographical region other than that for which it was meant, irrespective of the timing may fail to yield desired results. It follows therefore that policies should be interrogated before they are applied to establish their contextual relevance. We wish to conclude by noting that the Botswana government does not need to privatise to improve efficiency as that could still be attained under state-ownership of enterprises. As pointed out by Manual Workers Union, some of the parastatals were being run on commercial basis and were profitable, thereby pointing to the fact that efficiency is much attainable within the public as in the private sector (Makgala *et al* 2007:176).

We also note that the fiscal state of government does not warrant privatisation. We also wish to highlight that political corruption is not synonymous with state-ownership of institutions, and we argue that appropriate measures, no matter how difficult or challenging, deserve implementation to rid public institutions of corruption. In high unemployment economies, of which Botswana is a good example, privatisation will only foster the highly skewed income distribution, and make the rich richer thereby exacerbating social injustice and thus hampering development. We subscribe wholly to self-sustaining state-owned enterprises and believe that subsidies are not in the best interest of any economy, and efficiency should be attained at all costs including retrenching some employees of state-owned enterprises. The government will experience increased profits for which all Batswana could lay claim to. This is the difference between increased profits of privatised enterprises, which are enjoyed by a few privileged, and those of state-owned enterprises of which the majority are entitled to, at least in theory.

As we have pointed out above, we would most probably support privatisation where the rates of unemployment are equal to the natural rate also known as the full employment unemployment rate or there about. The natural rate of unemployment is caused by movement in between jobs and is economically believed to be always positive. Policies should be contextualized for the wider spread of economic benefits.

References

Bortolloti, B & Pinotti, P 2003. 'The Political Economy of Privatization'. NOTA DI LAVORO 45.2003.

Central Statistics Office, 2004. Household Income and Expenditure Survey 2002/03. Main Report, Volume 1. Department of Printing and Publishing Services: Gaborone.

Drakic, M 2007. 'Privatization in Economic Theory,' Panoeconomicus, 1, str. 103-118. UDC 338.246.025.88:330.8

Galal, A, Jones, L, Tandon, P & Vogelsang, I 1994. 'The Welfare Consequences of Selling Public Sector Enterprises,' Oxford University Press.

Harris, C 2003. 'Private participation in infrastructure in developing countries: Trends, impacts and policy lessons,' World Bank Working Paper, no.5. Washington, D.C.: World Bank.

Makgala, JC, Maundeni Z and Molosiwa PP 2007. History of Botswana Manual Workers Union: A Story of courageous Struggle for Democratic and Economic Advancement in Southern Africa. Gaborone: Bay Publishing.

Malema, BW 2008. Botswana's International Investment Position: The role of Direct Foreign Investment. Asian-African Journal of Economics and Econometrics, 8, 1, pp.45-54

Megginson, W, Robert, N & Matthias, R 1994. 'The Financial and Operating Performance of Newly Privatized Firms: An International Empirical Analysis,' Journal of Finance, 49,2, pp.403-52.

(MFDP) Ministry of Finance and Development Planning 2000. Privatisation Policy for Botswana. Government Paper No. 1 of 2000. Government Printer, Gaborone.

Nellis, J 2003. 'Privatization in Africa: What Has Happened? What is to be done?' Working Paper Number 25, Center for Global Development.

Public Enterprises Evaluation and Privatisation Agency (PEEPA) 2012. Annual Report. Gaborone: PEEPA.

Roland, G and Verdier, T 1994. 'Privatization in Eastern Europe: Irreversibility and Critical Mass Effects,' Journal of Public Economics, 54, 2, pp.168-184.

Smith, A 1776, An Inquiry into the Nature and Causes of the Wealth of Nations. Edited by Edwin Cannan. Chicago: University of Chicago Press, 1976. Available online at: http://www.econlib.org/library/Smith/smWN.html accessed on 11 December 2012.

Sheshinski E. and López-Calva LF 2003. Privatization and Its Benefits: Theory and Evidence CESifo Economic Studies, 49, 3, pp.429–459.

Statistics Botswana, 2011. Botswana Core Welfare Indicators (Poverty) Survey 2009/10. No 2011/15. November 2011.

Todaro, MP and Smith, SC 2009. Economic Development. 10th Edition. Pearson Education Limited, ISBN: 978-1-4058-7424-3. United States of America.

Williamson, J 1990. 'What Washington means by Policy Reform', in John Williamson (ed.), Latin American Adjustment: How Much Has Happened?

Williamson, J 2000. 'What should the World Bank Think about the Washington Consensus?' The World Bank Research Observer, 15, 2, pp.251-64.