Vol. 8(9), pp. 324-332, December 2014
DOI: 10.5897/AJPSIR08.031
Article Number: A28A0B848620
ISSN 1996-0832

http://www.academicjournals.org/AJPSIR

African Journal of Political Science and International Relations

Review

The legitimacy challenge of market governance in Botswana

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Received 12 November, 2008; Accepted 28 October, 2010

This paper examines the economic policy implementation in Botswana, a country where the state is actively engaged in the management of the economy in partnership with organized interests in the private sector, to bring about a diversification of the market away from dependence on mining. The discussion looks at the institutional mechanisms of state-market "partnership", examining how the weak legitimacy of the government's interventionist approach has negatively affected not only the outcome of economic policies, but also its relations with organized interests in the market, mainly business and labour.

Key words: Economic policy, Botswana, private sector, state market.

INTRODUCTION

Successive governments of Botswana since independence have continued to conceptualize their mission principally in terms of fostering national development by diversifying the country's economy and strengthening the capacity of the domestic market. In the course of doing so, they have established institutional mechanisms through which the country's administrative machinery could be given the requisite capacity and legitimacy to steer the market towards well-articulated economic development goals (Hope, 2002; Charlton, 1991; Lewis and Stephen, 1995). Thus, a key dimension of national development was not only the exploitation of the country's static and natural advantages in mining precious minerals, but also the significant development of the private sector as the engine of growth and development by diversifying the country's economy through market capacity building policies (Harvey, 1997; Stedman, 1995).

In order to maximize the success of economic diversification, the government of Botswana has chosen to engage in a strategic collaboration of state-market partnership in which it engages the private sector closely in the process of building the capacity of the economy. However, state-market partnership, as envisaged in Botswana, has been significantly affected by the institutional legitimacy of the state in engaging its private sector partners. The following questions are, therefore addressed: How does the Botswana state, in the process of private sector development policy implementation, conceptualize market governance in relation to organized business and labour? Secondly, to what extent has market governance reflected and adapted to the changing conditions of state-society relations in enhancing the success of economic policy implementation?

Botswana has been described by its critics as an "extremely intrusive" authoritarian state (Good, 1996), or as a "political perversion," devoid of a competent

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opposition (Jones, 1997). Admirers of this country, on the other hand, insist that it is not a one-party authoritarian state, but that it is a "parliamentary democracy" characterized by both representative and participatory democracy (Holmes, 1995). Other generous descriptions of Botswana have referred to the country as an administrative democracy; a combination of an administrative state and an effective democracy in which the state takes seriously its responsibility to engage the citizenry as a significant dimension of governance (Molutsi, 2004).

The problem with the existing debate about the nature of governance in Botswana is that the emphasis on authoritarianism (or the lack thereof) undermines investigation into the very nature and source of the government's legitimacy to engage various interests in society and implement their policies over the past three decades. Understanding the pervasive presence of the state, its interventionist mode of policy implementation and its close, exclusive collaboration with carefully selected policy partners requires an exploration of the means by which the state (even if in a nominal democracy) has been able to "win" the acquiescence of its people and the cooperation of its key partners in the area of economic policy. The proposition made here is that the degree of the state's institutional legitimacy, which is a function of public economic agencies' social embeddedness within the market on one the hand, and private economic actors' perception of the state's credibility, competence and authority to govern the market on the other hand, will directly impact the success or failure of the state's effort at economic diversification policy implementation.

Institutional legitimacy in Botswana consists of several dimensions. First, it has been influenced by the very specific historical, ethnocultural and geopolitical contexts of the country. Secondly, this state has been, from the start, sensitive to and considerate of broad interests of the population, even though in practice, it did not treat them equally. Thirdly, institutional legitimacy in Botswana has been based on a blend of traditional and modern institutions of governance, by which the state has been able to appeal to cultural symbols and sentiments, as well as exploit the apparatus of state power. Fourthly, institutional legitimacy has been reinforced by making it adaptive to changing societal expectations and demands. Fifthly, it has been based on a tacit "social contract" in which the state undertakes to deliver the basic needs of the majority of citizens through a conscious program of social service delivery, and in turn exercises a paternalistic authority as the sole and legitimate embodiment and custodian of national welfare. Therefore, understanding institutional legitimacy as a variable of economic policy implementation in Botswana requires a closer look at the nature of power within the state, on the one hand, and of relations between the state and society on the other hand.

Theoretical framework: Institutional legitimacy

In implementing its policies, the state needs to possess a reasonable degree of institutional legitimacy or authority to govern the wide range of interests and ideas that may exist within these respective policy domains. In the area of economic diversification policy, Montgomery's (1991) notion of the "strategic environment" of public managers provides an insight that is useful to this study's conceptualization of the fundamental elements that affect how the state maintains the legitimacy of its public managers or agents to govern the market and its organized interests. Successfully directing economic policy requires that the administrative machinery deals with the "strategic environment" of the general public that constitutes the citizenry, as well as with special interests or the "special public" (Montgomery, 1991) within the market arena (Cheung, 2005).

The imperative of institutional legitimacy necessitates an emphasis on understanding the processes by which governments engage the public (Irvin and Stansbury, 2004), command their trust and acquiescence (Gould, 1991) and, even, motivate them to comply and cooperate with development plans and policies (Boyte, 2005). In the economic policy, the political culture of the strategic environment provides a crucial lens for understanding state-market partnerships as attention shifts to new structures of governance through horizontal networks of public-private collaboration, as opposed to hierarchical decision-making. Such processes include deliberative and collaborative policy implementation (Bingham et al., 2005).

Several scholars, in the governance and participatory development literature, have developed various insightful concepts that capture the positive synergies that flow from sustained network and policy dialogue between states and societal interests. Carroll and Carroll (1998; 2004) envisage "civic networks" consisting of certain forms of policy engagement between states and societal interests, including private sector actors, and as Jackson (2002) also notes, "it is precisely the pooling of know-how over a range of actors encompassing public and private societal actors which comprises the advantage of networked systems over traditional and hierarchical decision-making structures". Esman (2001) also explores the merits of alternative modes of policy implementation as a way of dealing with the inherent problems of administrative pathologies of conventional bureaucracies. Public legitimacy, he argues, could be enhanced in developing countries through more systematic and context-relevant use of organizational networks as participatory management and delivery mechanisms.

Other scholars have described variations of state-societal relationships and development policy network processes as "deliberative development" (Evans, 1990), "institutionalized co-production" (Joshi and Moore, 2004), state-society "concentration" (Prereira, 1993), state-market “growth coalitions” (Brautigam et al., 2002) and “state-community synergies” (Gupta et al 2008), with various conceptualizations of this relationship, ranging from strong participatory theories that reject any form of authoritative hierarchy to weak theories calling for a rather ritualistic “consultation” of societal interests by the state (Brett, 2003). This present study synthesizes the various aforementioned insights into a holistic framework that integrates hierarchical and horizontal forms of policy implementation that builds on state-society synergies. In the economic policy implementation, these synergies constitute the institutional legitimacy to govern the market: that is, the legal and moral authority to command (without coercion) the cooperation or, at least, consent or acquiescence of societal interests in successfully directing the course of economic development and implementing economic policies and programs.

An understanding of how policy implementation processes interact with the institutional legitimacy of the state consists of two important dimensions in this study: (1) the relationship between the executive leadership and citizens in a representative democracy; and (2) links between the administrative machinery as the implementing arm of the state and the “special publics” or clients that are directly affected by the programs being administered. Alford’s (2002) distinction between “citizens” and “clients” in policy implementation captures the essence of these two dimensions of institutional legitimacy.

The executive leadership engages the citizenry in seeking to legitimize policies and reduce their complexities in the process of implementation, whereas the administrative machinery, on the other hand, deals with their clientele (that section of the citizenry that is most directly related to a given policy area or interest as implementing “partners”). The distinction between “citizens” and “clients”, allows a deeper understanding of how institutional legitimacy affects the success of policy implementation. In a nutshell, managing this “extra-bureaucratic” institutional framework (Riggs, 1991) or strategic environment (Montgomery, 1991) is what constitutes the imperatives of institutional legitimacy.

At the level of government-citizen interaction, the broader context of policy implementation is established by the ability of the executive leadership to command (authoritatively and morally, as opposed to coercively) the trust of the wider citizenry such that the latter confers its consent to, or acquiescence before, the governing activity of the state’s administrative machinery. It is at this level of state-society relations that the government can legitimize the administrative machinery as the conduit of development by undertaking symbolic and/or real attempts at citizen engagement, such as consulting and accommodating citizens’ policy preferences, articulating development goals that reflect citizens’ priorities, and taking responsibility for the success or failure of policy implementation. Although participation of the citizenry can sometimes result in the actual influence of policy decisions and their implementation, in developing countries, it often involves the manipulation of citizens’ preferences to fit predetermined policies (Bellone, 1992).

In the specific area of private sector development policy, the executive leadership often articulates the trajectory of national development, usually using cultural and national symbols and images to capture the sentiments of the citizenry. As Todaro (2000) points out, statements by the executive leadership concerning national economic and social development goals and operational plans can have “an important attitudinal and psychological impact on a diverse and, often, fragmented population.” The public sector reform towards improved policy implementation in developing countries, as Van de Walle (2004) observes, must take seriously the role of executive leadership, the support they provide to implementing agencies and how their engagement with the citizenry helps legitimize the actions of administrative agencies.

Another dimension of legitimacy as a requisite of policy implementation is the relationship between the administrative machinery and its immediate clientele within a particular policy area. The government-citizen dimension of legitimacy previously discussed provides the wider context within which this narrower partnership can operate. With the executive leadership’s engagement of the citizenry, the administrative machinery focuses on its clientele, which may consist of citizens and non-citizens (Dunleavy and O’Leary, 1987).

There are some arguments in justification of such an exclusive form of partnership. First, it has been observed that there are ideal and non-ideal conditions for citizen participation, and the technical nature of certain policy issues would tend to justify exclusive partnership with those interests within society who are technically competent to participate (Irvin and Stansbury, 2004). Moreover, some would argue that direct beneficiaries of a given policy are often the ones with the disposition and competence to assess policy implementation, as well as give useful inputs (Koehn, 1991). Furthermore, some scholars have expressed the need for the developmental state to focus on collaboration with relevant organized interests aimed at facilitating real state ownership of policies and programs, rather than just administrative responsiveness to a somewhat amorphous citizenry (Vigoda, 2002).

The essence of these observations is that at the level of policy implementation, the focus should be on understanding the relationship between public agencies and “clients” rather than calling for vague “citizen participation”. Moreover, in a globalized market environment, the administrative legitimacy of the private sector development policy implementation is usually assessed not merely by citizens, but simply by “market actors” (who may be foreign investors), whose perception of the government’s credibility and competence is crucial for the success of economic policy implementation.

In their shared role of coordinating and integrating the process of national development, close institutional links are thereby established between public agencies and the business community (Evans, 1990; Migdal, 1987). This study refers to the close collaboration that can exist between public agencies and market actors as the “market legitimacy” of the state. Market legitimacy is an analytical lens through which public agencies’ relations with market actors could be evaluated as a determinant of the success or failure of private sector development policy implementation. Market legitimacy refers to the business trust of the community in the government’s market capacity-enhancing policies and programs, where a recognition of the authority of agency officials and government bureaucrats directs the trajectory of market transformation and a perception among market actors that the state’s policies are consistent with their medium- to longer-term interests and overall economic development (Castells, 1992). Market legitimacy consists of the depth and breadth of social network linkages that the state maintains with economic actors, without the ability of the former to govern the market being eroded, undermined or compromised by the latter (Brett, 2003). In short, the dynamics of state-society relations set the systemic context for market legitimacy through network partnership between state and private sector actors. Market legitimacy minimizes transaction costs and facilitates information transfer through a collaborative decision-making strategy that encompasses all stake-holders within the market arena.

Economic diversification in Botswana

When Botswana is compared with a lot of countries in Africa, it is seen that the economic management in Botswana has certainly performed very well, with a per capita income of over $3000 and a steady positive economic growth averaging more than 8% per annum over the past 30 years (UNDP, 2007). It is even considered to have been one of the fastest growing economies in the world between 1965 and 1998 (World Bank, 2000). The macroeconomic indicators, though, hide certain structural weaknesses in the Botswanan economy, on closer inspection, one finds social and economic vulnerabilities that belie the claim of successful economic management.

The structure of the Botswanan economy is fragile in that it is largely dependent on mineral (Republic of Botswana, 2004). Poverty and inequality are persistent and, even, of growing concern, with more than half of the rural population (55%) and a considerable proportion of the urban population (30%) having incomes inadequate to meet basic needs (Hope, 2002; Gergis, 1997). Overall, about 43% of Botswanan households live in poverty (Hubbard, 1998). Despite government provision of services for redistributive purposes, Botswana has high income inequality, with a Gini-coefficient estimated at 0.56, one of the highest in the world (World Bank, 2007; Nordas, 2000).

Due to the mineral-dependent nature of the economy, the private sector development in Botswana is rightly referred to as “economic diversification” (Hope, 2002). As part of its model of pragmatic economic management over the past 30 years, the Botswanan government has employed various policy instruments aimed at encouraging and supporting the development of new industries so as to diversify its economy away from dependence on mineral (mostly diamond) and beef exports.

Central to the state’s development strategy towards economic self-reliance and sustainability was the policy stance of strategic and purposive resource allocation across sectors and industries, and the creation of public agencies to promote and nurture the country’s private sector (interview with a senior official, Planning Division, MFDP; Republic of Botswana, 2000; Mmusi, 1998). Various policies were developed in pursuit of this goal of private sector development, and central to these is the use of development planning to reallocate or direct capital resources into business development (NDP 9, 2005; Isaksen, 1981; Mmusi, 1998).

The government also introduced the Industrial Policy (IP) of 1974 which, along with the National Development Plans (NDPs), created the initial framework for the Industrial Development Policy (IDP) of 1984 (Republic of Botswana, 1984). The IP and IDP were themselves rooted in the Industrial Development Act (IDA) of 1968 (revised in 1988 and revisited in the late 1990s). The underlying purposes of the government’s industrial policies were to take practical steps beyond legal and regulatory instruments and to engage in targeted entrepreneurial development incentive and support mechanisms.

The most significant policy tool of the government in pursuing economic diversification, however, was the Financial Assistance Plan (FAP) introduced in 1982 (Siwawa-Ndai, 1997). The FAP put into practice the government’s pronouncements on industrial development, and was a direct outflow from the government’s adoption of the National Policy on Economic Opportunities following the Report of the Presidential Commission on Economic Opportunities of 1982 (Report of the Presidential Commission on Economic Opportunities, 1982). The FAP was to expand the business opportunities and entrepreneurial capacity of Botswana, primarily (Botswanan citizens).

State-market partnership: The role of development agencies

As maintained earlier, a key part of the policy implementation strategy of the government of Botswana is to create public agencies that can complement the operations of the main ministries in supporting the private sector (National Development Plan 9). These agencies are given specific mandates in a particular area of the private sector development, such as financial or capital support, market information services, assistance with technology and technical upgrades in production processes, entrepreneurial skills training, product market creation, and so on (interview with executive officer, BOCCIM). Several of these agencies created over the past three decades were designed to be specialized extensions of the state's administrative machinery, that is, outward expansions of the government into the market in strategic collaboration with market actors.

The agency that is considered the hub of industrial development in Botswana is the Botswana Development Corporation (BDC), created in 1970. Other agencies related to economic diversification include the Botswana Trade and Investment Promotion Agency (BIPA); the National Development Bank (NDB); the Botswana Savings Bank (BSB); and, in the past decade, the Botswana Export Development and Investment Agency (BEDIA), International Financial Service Centre (IFSC) and the Citizen Empowerment Development Agency (CEDA) (Botswana Minister of Finance, National Business Conference, 2002).

Although, they are designed to be outward extensions of the government into the market, these agencies are positioned under central ministries like the Ministry of Finance and Development Planning (MFDP) and the Ministry of Trade and Industry (MTI). The main rationale for creating public agencies as the institutional mechanisms for implementing economic diversification policies is that they are expected to have the operational flexibility that ministries do not have. Public agencies are supposed to be able to adjust to the expediencies of market conditions as they promote the private sector development by embedding themselves into the market in strategic collaboration with market actors.

After years of implementation of economic diversification, however, the depth and spatial distribution of private sector activities in Botswana remain shallow and narrow. Inter-sectoral diversity and production links are weak in the economy. The private sector activities are mostly concentrated in the capital city Gaborone, Francis town and in Lobatse, another industrial town, to the virtual exclusion of much of the country (Tsie, 1995). The failure of the economic diversification of Botswana's economy is revealed in the fact that unemployment remains a problem, and some goods and services provided by the local market are not meeting the increasing requirements of international competition, while at the same time, domestic resource consumption is also increasing (Hope, 2002). However, the entrepreneurial capacity still remains low. The economy is still by and large lop-sided with overdependence on mining (Nordas, 2000; Siwawa-Ndai, 1997). There is a plethora of low-efficiency service sector companies mostly in commercial distribution and small-scale, with low sustainability.

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 the private sector's development (interview with a senior official, MFDP), being one of the best managed economies (in fiscal, monetary and, even, regulatory terms) in Africa (World Bank, 2000). The much-celebrated economic growth, while impressive at face value, seems, on closer inspection, to be a statistical illusion, since it does not affect the whole economy. It is growth without employment, magnifying the prospects of increased poverty and inequality into the foreseeable future.

Renewed impetus towards economic diversification

Fortunately, the government of Botswana has not been deceived by the illusion of "economic growth". In light of the revelation of the structural weakness of the economy and the attendant crisis of unemployment, the urgency of a more strategic direction for economic management became clear to the government. Within the public sector, the issues of industrial development and employment creation are now taken more seriously, given the increasing politicization of the unemployment crisis (Lisenda, 1999). A key element of the new drive toward economic diversification, therefore, is the recognition of the need to strengthen state-market partnership.

The centrality of partnership between government and business, as the framework of private sector development towards economic diversification, is given various institutional expressions geared to consolidating its synergies and embedding it in the actual processes of governance. One of such institutionalization is the introduction of a bi-annual 'national business conference'. In the 2002 and 2004 conference proceedings report (National Business Conference), the "executive summary" section maintains that these conferences are viewed by the private sector as reflecting real efforts at improving partnership between government and the private sector.

Another element of the new thrust is the revamping of old economic diversification schemes and agencies, and the creation of new ones to reflect the greater policy priority or, even, urgency of the private sector development. According to the 'minister of finance and development planning', several policies and public sector reforms have been introduced in recent years to enhance the economic diversification drive (Minister of Finance, National Business Conference, 2004). The FAP scheme has been reformulated into the 'citizen entrepreneurial development agency' (CEDA). As such, the CEDA provides financial assistance through subsidized loans, with the rate of interest and the repayment period much more liberal than in the “natural” market. A venture capital fund under the CEDA also provides a window for joint business ventures between citizens and foreign investors.

Two new and more strategically focused agencies, the Botswana Export Development and Investment Authority (BEDIA) and the International Financial Services Centre (IFSC), were created in the late 1990s. The BDC, which is an older agency and which is still considered the “hub of the industry in Botswana,” has undergone a review and redefinition, with a strategic redirection away from playing a reactive role towards being a catalyst of economic diversification.

Although there appears to be some progress toward a change of strategy in recent years, there is still in general, dissatisfaction with the nature of state-market partnership in Botswana. For instance, the BDC is still constrained by its founding mandate under the ‘company’s act’ (interview with a BDC official). Despite the fact that the BDC has made some considerable improvement in engaging market actors in collaborative partnership, its operations are still exclusive, and its dealings with private partners are less formalized (Privatization Master Plan, 2005; Budget Speech, 2005). Moreover, the private sector still expresses some dismay at what it considers the BDC’s operational culture of relative detachment, preoccupation with profit-making and reactive disposition to opportunities, as contrasted with a proactive creation of opportunities (National Business Conference, 2004).

Institutional legitimacy in policy implementation

A key factor that significantly affects economic diversification policy implementation in Botswana is institutional legitimacy. As mentioned earlier, institutional legitimacy in this discussion refers to the authority of the state to govern the market as reflected in societal actors, especially the private sector’s acceptance of, or acquiescence, before the pervasive presence of the state and its administrative machinery in the organization and direction of market relations of production and exchange.

A key factor that shaped the active involvement of the Botswanan government in economic management and diversification was what a Norwegian study calls the “advantage of backwardness at independence” (Norwegian Ministry of Foreign Affairs, Botswana Study, Report No. 1, 1996). It enabled the state to easily build the institutional legitimacy to define and implement socioeconomic policies and to govern with a paternalistic and pervasive authority that most African states have failed to muster, even with the use of force and other forms of coercion.

A further tool of institutional legitimacy is the geopolitical threats posed in the early years after independence by the presence of an unpredictable and hostile neighbour, South Africa, which had already expressed an interest in possessing Botswana as part of its national territory. Therefore, “effective governance” in Botswana has been interpreted to mean the ability to preserve the sovereignty of the nation and direct its development trajectory, while at the same time building cooperative regional trade and investment alliances with its neighbours, including South Africa (Molutsi, 2004).

The society, however, is often dynamic, and thus, changes over time, especially as modernization and globalization interact with civilizations and cultures around the world. These changes have significant implications for state-society relations and, therefore, for policy and administration. In Botswana, a key part of the pragmatic logic of continued legitimacy is an inherent process of institutional flexibility of the state to adapt its governance model to the changing exigencies of state-society relations. The process of continual state transformation in Botswana from independence to the present day has been guided by the imperatives of legitimacy.

The idea of the government being the sole repository and conduit of national development has come under severe strain in recent years. The growth of the economy dropped from 11 to 4% over the last decade, in that poverty persists in rural areas. Unemployment remains high, and as such, it increases with the higher number of graduates from schools and universities. Economic diversification policies have mostly failed to deliver. Moreover, increasing globalization means greater international flow of political and social ideas about participatory governance and development. Several interests are beginning to clamour for greater societal participation in politics and the policy process (Carroll and Carroll, 2004). Civil societies are beginning to emerge from several quarters, seeking participation beyond mere “preplanning consultation.”

In light of these developments, the state changed its model of governance to absorb the emerging discontent with the political status quo. Since the 1990s, the government of Botswana has seemed more serious about network governance (interviewee, BEDIA official). The late 1990s witnessed a new drive toward economic diversification that involved the adoption by the state of an even more activist intervention strategy under its various industrialization policies and programs (Tsie, 1995). As a matter of fact, the civil societies found more accommodation with the government (Carroll and Carroll, 2004).

In 1997, the government introduced an informal structure called the high level consultative council (HLCC) (an executive officer, BOCCIM). It consists of senior government officers, the private sector and limited labour and civil society representation. A system of tripartism, though still weak and largely consultative, was introduced as the basis of institutional legitimacy. Unfortunately, in spite of the HLCC being the highest institutional expression of the new initiative of the government toward engaging the citizenry, organized labour represented by the Botswana Federation of Trade Unions (BFTU), has not been warned about its insinuations (Carroll and Carroll, 2004).

Thus, even though the government's engagement with the citizenry remains highly managed, calculated and somewhat selective or exclusive, it has nevertheless, been making the effort to transform its model of governance and adapt its institutional legitimacy to the changing conditions of society and the economy. It tries to redefine itself to reflect the priorities of society and absorb the complexities of the market. Translating its institutional legitimacy at the level of government-citizen (or broader state-society) relations into successful policy implementation may continue to be problematic; however, this is because its structures and processes of market governance are not well embedded in true strategic partnership with the immediate stakeholders in its policy goals and programs of economic diversification.

The significance of institutional legitimacy at the level of the administration-client relationship has its underlying logic in the very complex web of economic, social and cultural dynamics that constitute the implementation of economic diversification policies. A state-market relationship would include, first, developing a common vision for the future, and secondly, creating a wider platform for regularized government/private sector contact towards a more strategic collaboration that builds a form of synergy whose force is greater than the sum of its parts. Such an approach to economic diversification policy implementation views the market as an organic collection of interconnected production and exchange variables and interests, and governs it as such.

In Botswana, the administrative machinery has been able to maintain a rather technocratic orientation to policy implementation in a paternalistic engagement with the private sector (Jones 1997). As an interviewee at BIDPA put it, "they have (that is, the technocrats have) been talking a lot lately about strengthening partnership and consultation in Botswana… but it is like having your uncle consult your opinion… So when you put that in this perspective, this partnership only tends to reinforce bureaucratic centralism and elitism. It is in the culture of governance itself."

Even in this paternalistic engagement, the administrative machinery has mainly focused on the business component of the private sector, to the virtual exclusion or alienation of organized labour as legitimate stakeholders in private sector development. Not until recently, in the late 1990s, when the state renewed its approach to economic management, the state's interaction with "businesses" in the Botswanan private sector was dominated by foreign capital in mining, while at the same time the government developed detached discriminatory and protectionist policies in its entrepreneurial development schemes (Legwaila, 2002). Furthermore, even though recent institutional innovations in the HLCC have formalized the "partnership framework" of state-market relations in Botswana, the public sector's technocratic approach to economic policy implementation means that the engagement by the administrative machinery of its "policy stakeholders" remains more or less merely consultative, and highly managed by the former (Carroll and Carroll, 2004).

The government's position is further complicated by the fact that in spite of its paternalistic engagement with the private sector, and in spite of its willingness to court the goodwill of capital over business, this "partnership" is not without its tensions. For instance, the BDC has been called upon by the BOCCIM to improve on its partnership with private enterprises, reflecting some degree of private sector dissatisfaction with an agency so central to the government's engagement in the market (7th Annual National Business Conference, 2002). Moreover, at the business conference of 2004, business representatives made an implicit rejection of the MFDP's macroeconomic management as detached, insufficient and complacent about the needs of Botswana's private sector (National Business Conference, 2004).

In summary, the character of the relationship between the government and the private sector has been one where the government internalizes the processes of economic diversification and seeks to actually manage labour and capital as "useful variables" in its grand vision of market governance. Business has tended to reinforce this state of affairs by its focus on concessions from government. The mindset of dependency and concession-seeking is often revealed in the private sector's conceptualization of this partnership (6th National Business Conference 2000); it is often preoccupied with the various "assistance schemes" that businesses can get from government.

Labour, on the other hand, feels a sense of detached suspicion that market governance is a state-business affair where they (labour) must seek to hold their own against the excesses of market exploitation. Yet, labour's reaction to the government is complicated by the fact that the former is a loose constellation of citizens whose perception of government is equally influenced by a complex web of institutionalized patronage in the form of generous social service delivery in education, health and other distributive mechanisms that the government has so successfully developed to reinforce its moral authority as the embodiment of the common wealth (BIDPA Working Paper, Public-Private Sector Strategy, 2004).

CONCLUSION

The discussion has examined economic policy implementation in Botswana, a country where economic management could be described as one in which the state is actively engaged in management of the economy. It examines the effects of institutional legitimacy on Botswana's engagement with non-state economic policy actors in the pursuit of the goals of diversifying its economy and strengthening the capacity of the domestic market. Although, the government has embarked on the implementation of the private sector development policies as its model of economic development, there are problems with the institutional mechanisms by which the state engages the market in implementing its private sector development policies. To be more specific, the dysfunctional nature of the relationship between the state and market actors, particularly organized business and labour as integral stakeholders has compromised the government's ability to successfully implement its economic policies. By examining the characteristics of state-market partnership in Botswana, the aforementioned discussion thus sought to address the perplexing paradox of the coexistence of successful macroeconomic management with a largely lackluster private sector development policy implementation.

The question could be asked whether this recent exclusive partnership between the administrative machinery and organized business means a sort of capture or penetration of the state by market actors, or whether it should, rather, be seen as more of a calculated (albeit skewed) attempt by the state to engage in network partnership with the most relevant clientele (business as opposed to labour) in its stride towards economic diversification. This study maintains that it is more of the latter, a deliberate tool of cooptation or absorption of market actors into the implementation framework of the government dictated by several factors. First, in the face of increasing globalization, the complexities of managing economic diversification are worsening, and the government therefore seeks to control the market environment by winning the loyalty of the most fluid and mobile variable of the market (investors). Yet, in doing so, the government needs to be perceived as a benevolent arbiter among the diverse interests of the market, and thus as a legitimate repository and channel of economic diversification and national development. These two, often conflicting factors, explain the pragmatic rationale of the new emphasis on tripartism, with all the inherent contradictions already explained. The unfortunate outcome is that the overall effectiveness of market governance is compromised and the economic diversification in Botswana is fragmented, contradictory and slow.

Finally, the claims made by some scholars that the policy environment in Botswana is authoritarian are the results of misreading of politics and governance in Botswana. Although, these scholars capture the essence of the pervasive presence of the state in society, they tend to overstate their case in claiming that the government is "authoritarian." What is even more misplaced in these assessments of governance in Botswana is the implicit underestimation of the government's ability to adapt to the imperatives of legitimacy. However, in terms of economic diversification policy implementation, state-market partnership in Botswana is really degenerating into a state-business partnership in which the latter is dependent and weak, and organized labour is systematically and increasingly excluded.

Conflict of interest

The author has not declared any conflict of interest.

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