An Appraisal of the Quality of Botswana's Institutions in Supporting the Privatisation Programme

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Abstract

This paper examines whether Botswana's institutions of property rights are strong enough to promote positive outcomes of the country's privatisation programme. International experience has shown that where institutions are weak or non-existent, privatisation is likely to result in sub-optimal outcomes. Our assessment is based on a review of empirical literature and evidence provided by international indices that measure institutional quality. The evidence shows that Botswana's institutions are fairly strong and could support privatisation. The evidence also shows Botswana to be fairly strong in the legal and political environment, and protection of physical property rights. However, protection of intellectual property rights is shown to be very weak, particularly patent protection which is shown to be non-existent and protection against copyright piracy also leaves a lot to be desired. Policy response is recommended to strengthen these aspects. Strengthening of these aspects is not only important for supporting privatisation, but for encouraging innovation and new investment in the economy which is critical for private sector growth.

Introduction

As Botswana's privatisation programme steadily gains momentum, we examine whether the quality of institutions in the country can support this reform. Privatisation involves the transfer of ownership and control from the public to the private sector (Van de Walle 1989). What we have learnt from economic reform is that very often it results in dissimilar outcomes. What works well in one place often fails dramatically elsewhere. With respect to privatisation, a review of international experiences reveals that while privatisation considerably increased efficiency and prosperity in some countries such as the United Kingdom and New Zealand *inter alia*, the results were disappointing for others such as Russia. A number of propositions that endeavour to explain the causes of these variations have been put forward in the literature. The institutional set-up often comes up as one of these critical determinants. Institutions are key policy and behavioural underpinnings that promote, monitor and render transparent market operations (Nellis 2007). Guriev and Megginson (2005) argue that privatisation will succeed only if the relevant institutional environment is in place in the form of private property rights protection, rule of law, hard budget constraints, competition and regulation. Where these institutions or mechanisms are weak or absent, economic reform is more than likely to result in sub-optimal outcomes (Gehlbach and Earle 2010).

In this paper, we take a closer look at Botswana's institutions and mechanisms. The basic question we want to address is whether they can provide a robust or decent basis for positive outcomes of the country's privatisation drive. Our assessment is based on a review of literature and empirical evidence from international indices measuring institutional quality. The paper begins with a description of Botswana's motivation for privatization. It then gives a brief account of the state of affairs on privatisation in the country. This is followed by a demonstration of why institutions matter for economic performance, and discussion on the status of institutions in Botswana.

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The Purpose of Privatisation

According to Nellis (1984) privatisation is absolutely necessary. At the heart of the appeal of privatisation is the widespread dissatisfaction with the performance of public enterprises and the need to cut government expenditures. The post-Second World War era witnessed an expansion of government intervention in national economies, particularly in the 1960s and 1970s, when the public sector was viewed as a major contributor to economic growth and political stability (Hemming and Mansoor 1988). After the major setbacks of the 1970s, the pervasive influence of the public sector was brought into question as the inability of economies to adjust to external price shocks led to deterioration of macroeconomic performance, especially in industrialised countries as Hemming and Mansoor (1988) observe.

These setbacks led to major reversal of policy stance regarding the appropriate scope and degree of public sector intervention. This reassessment resulted in growing popularity for tax reform, deregulation and most importantly in the context of this paper, privatisation. Nellis (1994) argues that it is essential not only to improve performance of public enterprises, but also to lock in the gains achieved in reforming public ownership. He claims that privatisation distances a firm from the political process and inoculates it against the recurrence of the common and deadly ailment of public enterprises in the form of interference by owners who have more than profit on their minds. Williamson (1999), the 2009 Nobel Prize winner in Economic Science, notes that 'politics trumps economics'.

Shirley (1992) observes that there are many reasons why governments often embark on privatisation. In many African countries, privatisation has come to be associated with economic structural agreements signed with International Financial Institutions (IFIs). Nellis (2005) argues that in many instances in Africa, privatisation is undertaken to placate these institutions. In many of these countries, poor service provision by loss making state owned enterprises led to reforms that yielded no improvement in performance. The resulting financial losses led to further deterioration of performance, and at the same time increased burdens on a government's budget. Nellis further says that the International Monetary Fund (IMF) responded by choking off direct budgetary financing of public enterprises. The banking system which was either state owned or state dominated, took over the financing of public enterprises. As a result of poor debt servicing, banks rapidly accumulated non performing portfolios, the result of which was acute growth in financing problems. These problems, and not efficiency concerns, became the principal driver of privatisation in such countries, with the World Bank being directly involved in the privatisation design.

In contrast, the impetus for privatisation in Botswana hinges on the desire to create opportunities for the private sector to grow and contribute more meaningfully to economic diversification. Economic diversification is a topical issue in Botswana given the limitations associated with its natural resource based economy. Botswana's economy is heavily dependent on diamond mining, with limited activity in non-mining sectors. While the contribution of the mining sector to the Gross Domestic Product (GDP) has been trending downwards in recent years, it still constitutes nearly 30 percent to the GDP, over 70 percent of principal exports and nearly 40 percent of fiscal revenues (Bank of Botswana 2013 and 2011). Basdevant (2008) reveals a discomforting prospect for the economy of Botswana in the coming years. He projects diamond reserves to be depleted in the next decade and a half. This short horizon underlines the importance of accelerated growth in non-diamond sectors in the coming years to avoid contraction of the economy.

As indicated above, Botswana's strategy for diversifying the economy is anchored on developing the private sector (Ministry of Finance and Development Planning 2008 and Ministry of Commerce and Industry 1998). Privatisation is seen by policy makers as an important step in promoting private sector growth. It is anticipated that privatisation will provide opportunities for the private sector to grow. It is also expected that privatisation will enhance citizen participation in the economy. The merits or demerits of this policy stance are not explored in this paper. Our immediate concern is whether Botswana's institutions are decent enough to support privatization.

Current State of Affairs on Privatization in Botswana

The privatisation programme in Botswana is mainly segmented into four main work-streams consisting of divestiture projects; outsourcing projects; public private partnership projects; and other enabling reform measures such as rationalisation, creating space for private sector participation and growth (Ministry of Finance and Development Planning 2013). Even though the privatisation programme has experienced delays in the implementation of transactions, government has approved the privatisation of Botswana Telecommunications Corporation (BTC) and the proposed privatisation strategy for National Development Bank (NDB). Policy makers would surely be hoping for better following failed attempts to privatise the national airliner, Air Botswana.

Following regular posting of unsatisfactory financial results Air Botswana was to be the first public enterprise to be privatised in the country. Courting of strategic equity partners for the ailing airline failed miserably since 2000. In 2008, the Minister of Finance and Development Planning, Baledzi Gaolathe in his Budget Speech to Parliament in February 2008 announced that Government would inject P103.1 million to recapitalise the airline and make it viable for possible future privatisation. A subsequent effort was made to engage a management contractor for the airline. Negotiations were ultimately opened with COMAIR, but were unsuccessful (Ministry of Finance and Development Planning 2009). Government then successfully negotiated with another management contractor called International Development Ireland, to start work in April 2009. While its financial performance has improved slightly in recent years, Air Botswana continues to post net losses. For instance, in the financial year 2009/10 it recorded a net loss of P45 million, compared to P87 million for the previous year (Ministry of Finance and Development Planning 2011).

In recent years, we have seen renewed impetus from government in pushing the privatisation programme, with advances being made in the privatisation of BTC and NDB. The implementation of BTC's privatisation commenced in 2010 subsequent to cabinet's approval in 2006. The approved strategy involves offering shares of up to 49 percent to individual citizens and companies, with 51 percent of the shares remaining with government. The first of the three phases in the privatisation of BTC has been completed (Ministry of Finance and Development Planning 2013). This involved transformation of BTC into a limited liability company in line with the BTC Transition Act. The BTC transaction is currently in Phase 2, which involves separation of BTC Limited as per cabinet's approved separation model. Due to the amount of work required for the separation exercise Phase 2 continued into 2014, after which Phase 3 would be implemented. Phase 3 involves issuing of the allotted shares to citizens and citizen companies (www.peepa.co.bw).

The implementation of NDB's privatisation commenced in 2011 following cabinet's approval in February of that year (Ministry of Finance and Development Planning 2013). The approved model involves offering 49 percent of NDB shares to citizens through an initial public offering (IPO), with 51 percent of the shares being retained by government. 44 percent of the shares are to be offered to citizens only but opened to both citizen and non-citizen investors at a later stage once 30 percent citizen quota has been achieved. The model also involves 5 percent of the shares being allotted to citizen employees through an Employee Share Ownership Plan (ESOP). Completion of this exercise will pave the way for NDB listing on the Botswana Stock Exchange.

It is important to note that the privatisation programme is being implemented simultaneously with a rationalisation exercise of public enterprises not earmarked for privatisation. It is anticipated that the rationalisation will boost efficiency of these enterprises and contribute to private sector participation and growth in the economy. The rationalisation involves merging of public enterprises that provide more or less similar services to eliminate duplication and improve efficiency in the delivery of services. Cabinet approved the rationalisation in 2009. Currently, respective ministries are working on implementation of this exercise.

The Role of Institutions in Performance

In this section, we establish the link between the existence of quality institutions and positive economic outcomes. The role of efficient and properly functioning institutions as a precondition to investment, entrepreneurship and innovation, and hence sustained growth is increasingly emphasized in the growth literature (Subramanian and Roy 2003). Institutions, according to North (1990) are constraints that human beings impose upon themselves to structure human interaction. They consist of formal rules and informal standards of behaviour and their enforcement characteristics (Williamson 2000). Formal rules consist of statute law, common law and regulation. Informal constraints on the other hand include conventions that evolve as solutions to coordination problems and that all parties are interested in having maintained (North 1990). Institutions confer two types of benefits. Firstly, they enhance long run growth (Subramanian and Roy 2003). Secondly, they impart resilience to an economy, allowing it to adjust to external shocks. North (1990) also argues that they shape the adaptive efficiency of firms and other organisations via rules that regulate entry, governance structures and the flexibility of organisations. Adaptive efficiency is the willingness of a society to acquire knowledge and learning to induce innovation as well as undertaking risk and creativity.

Subramanian and Roy (2003) argue that while it is difficult in practice to identify all the attributes of the social capital (institutions), countries with better institutions by way of more secure property rights, generally perform better (also see Knack and Keefer 1995, Hall and Jones 1999, and Acemoglu et al 2000). Investors in these countries feel secure about their property rights because the rule of law prevails, private incentives are aligned with social objectives, and monetary and fiscal policies are grounded in solid macroeconomic institutions (Rodrik 2004). Idiosyncratic risks in these countries are also appropriately mediated through social insurance, and citizens have recourse to civil liberties and political representation.

Collier and Gunning (1999) argue that the long run growth process itself is directly related to the quality of domestic institutions. Acemoglu et al (2000) present compelling empirical evidence highlighting the importance of institutions. Their results show a strong systematic relationship between the quality of institutions and income per capita differences in the countries included in the sample. Rodrik (2000) emphatically argues that the quality of domestic institutions is the key determinant of the growth process.

The Korean experience has often been cited as a natural experiment of the causal influence of institutions on prosperity. The experiment goes back to when Korea was split into South Korea and North Korea, with the two halves organized in radically different ways. With geography, culture and many other potential determinants of economic prosperity held constant, the differences in economic performance between the two countries could be attributed to differences in their institutional setting. By the late 1960s South Korea had transformed into one of the Asian 'miracle' economies, while North Korea had stagnated as a result of 'bad' institutions (Acemoglu *et al* 2005).

Black *et al* (2000) use the experience of the post-communist world to highlight the importance of institutions. They argue that when the privatisation voucher was completed in Russia, the basic commercial and capital market laws were non-existent. The basic institutions to enforce good behaviour by company managers and controlling shareholders did not exist either. The objective of the privatisation programme in Russia was to create profit seeking corporations, privately owned by outside shareholders and not dependent on government subsidies for their survival (McFaul 1995). However, by 1993 little if any restructuring had taken place within privatised enterprises observes

McFaul (1995). Drawing on theories of path dependence, he argues that the course of privatisation in post-Soviet Russia was very much influenced by the institutional legacy regarding property rights in the Soviet Union era. Guriev and Megginson (2005) provide a detailed compilation of empirical studies of the effects of institutions (or the absence of) institutions on privatisation. The results of these studies show the efficiency enhancing effects of proper institutions on privatisation outcomes.

An Insight into Botswana's Institutions

Over the past five decades, Botswana has built a reputation for relatively strong institutions. These institutions have played an important role in the country's economic development. Acemoglu et al (2001) for instance emphasize the role played by the country's institutions in its management of mineral resources. They argue that Botswana's success in managing resource wealth is reflective of the country's good institutions. They test this hypothesis and conclude that Botswana is very close to the predicted relationship. This among others they argue allowed Botswana to mitigate the effects of the so called 'Dutch Disease', and prosper where many other resource based economies have failed. Acemoglu et al (2001) associate Botswana's 'good' institutions to pre-colonial institutional arrangements of Tswana tribes which encouraged broad based participation and placed constraints on the political elite. (The term Dutch Disease is derived from the adverse effects on Dutch manufacturing from the natural gas discoveries of the 1960s, through the subsequent appreciation of the Dutch real exchange rate as well as from increased public sector expenditure). These institutions limited the powers of leaders by forcing them to seek public consensus. The institutional set up in the modern state is thus a result of these pre-colonial institutions. They also argue that the British colonial rule was very light, leaving Tswana institutions unchanged. This implied little political involvement, but also gradual introduction of European institutions. This ensured a smooth transformation from a traditional society to the modern state. According to Acemoglu et al that was also in the best interests (economic) of the political elite to enforce property rights. The result of course has been an underlying set of good institutions of property rights, secured by an efficient law system that also provides for transparency and keeps corruption relatively low.

Following his examination of thirty six former British colonies, Seidler (2010) concludes that Botswana's economic success reflects its good institutions. Seidler estimates the overall quality of Botswana's institutions and compared it to Australia, Taiwan, South Korea, Italy, South Africa, Brazil, Mexico, India, Zambia and Angola. In his estimation, Botswana ranked third after Australia and Taiwan respectively in the quality of its institutions. Seidler argues that these institutions protect the property rights of actual and potential investors, protect political stability and ensure that political elites are constrained by the political system and the participation of a broad section of society.

The International Property Rights Index (IPRI) compiled by theAmericans for Tax Reform Foundation (2012) ranks Botswana 39th out of 130 countries in the world and 4th out of 24 in the African region in the quality of its institutions. The overall grading scale of the IPRI ranges from 0 to 10, with 10 representing the strongest level of property rights protection and 0 reflecting the non-existence of secure property rights in a country. Similarly, each component and variable is placed on the same 0 to 10 scale. The index serves as a barometer of the security of property rights across the world. It is made up of three components: legal and political environment, physical property rights and intellectual property rights. The legal and political environment has a significant impact on the security and protection of physical and intellectual property rights. As such, measures of legal and political environment provide an insight into the impact of political stability and rule of law on an economy. The physical property rights component provides insight on protection of physical property rights, registration of property and access to loans. A strong property rights regime commands the confidence of people in its effectiveness to protect private property rights. It also provides for seamless transactions related to registering property. Finally, it allows access to credit necessary to convert property into capital. The intellectual property rights component provides a reflection of protection of intellectual property rights, patent protection and copyright piracy.

Botswana ranks 28th out of 130 countries in the world and 2nd out of 24 in the African region in the legal and political environment component. The highest score in this component is recorded in judicial independence (7.7) and lowest in the rule of law (6.3). The rule of law measures the quality of contract enforcement, police, and courts, as well as the likelihood of crime and violence. The variable combines several indicators, including fairness, honesty, enforcement, speed, and affordability of the court system, protection of private property rights, and judicial and executive accountability (See Table 1 below).

Table 1: Botswana's International Property Rights Index ratings

Category	Score	Global Rank	Regional Rank
Legal and Political Environment	**6.9**	**28 of 130**	**2 of 24**
Judicial Independence	7.7		
Rule of Law	6.3		
Control of Corruption	6.9		
Political Stability	6.8		
Physical Property Rights	**7**	**26 of 130**	**3 of 24**
Protection of Physical Property Rights	7.3		
Registering Property	8.9		
Access to Loans	4.9		
Intellectual Property Rights	**4.9**	**73 of 130**	**12 of 24**
Protection of Intellectual Property Rights	5.7		
Patent Protection	0		
Copyright Piracy	2.1		

Source: Americans for Tax Reform Foundation (2012)

In physical property rights, Botswana ranks 26th out of 130 countries in the world and 3rd out of 24 countries in the region. While Botswana scores very high in registration of property and protection of physical property rights, it scores very low in access to loans (4.9). Although Botswana performs relatively well in the legal and political environment, and physical property rights, it performs dismally in intellectual property rights. Botswana ranks 73rd out of 130 countries in the world and 12th out of 24 in the region in this component, with patent protection and copyright privacy identified as major areas of concern. Patent protection reflects the strength of the country's patent laws based on five extensive criteria: coverage, membership in international treaties, restrictions on patent rights, enforcement, and duration of protection. The results show that patent protection is essentially non-existent in Botswana, with a score of zero on this variable. Copyright piracy reflects the effectiveness of intellectual property rights enforcement in the country. The results also show that Botswana is very weak in this aspect of copyright protection. Policy response is necessary to strengthen these aspects, given their importance in encouraging innovation and investment.

The Worldwide Governance Indicators (WGI) research project is one other influential project dedicated to measuring the quality of institutions across different countries in the world. (The WGI is a research dataset summarizing the views on the quality of governance provided by a large number of enterprises, and citizen and expert survey respondents in industrial and developing countries. These data are gathered from a number of survey institutes, think tanks, non-governmental organisations, international organisations, and private sector firms. The estimate of governance ranges from approximately -2.5 (weak) to 2.5 (strong) governance performance. Percentile rank among all countries ranges from 0 (lowest) to 100 (highest) rank.) The project provides aggregate and individual indicators of governance. This includes the process by which governments are selected, monitored and replaced; the capacity of the government to effectively formulate and implement sound policies; and the respect of citizens and the state for the institutions that govern economic and social interactions among them. The indicators are based on six dimensions of governance namely: voice and accountability, political stability and absence of violence/terrorism, government effectiveness, regulatory quality, rule of law and control of corruption. Voice and accountability captures perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media. Political stability and absence of violence captures perceptions of the likelihood that a government will be destabilized or overthrown by unconstitutional or violent means, including politically-motivated violence and terrorism.

Government effectiveness captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of a government's commitment to such policies. The regulatory quality is on perceptions of the ability of a government to formulate and implement sound policies and regulations that permit and promote private sector development. The rule of law focuses on perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence. Lastly, control of corruption reflects perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as 'capture' of the state by elites and private interests. For our purpose, we focus on regulatory quality, rule of law and control of corruption.

Tables 2, 3 and 4 below compare Botswana's quality of regulation, rule of law and control of corruption (respectively) to fellow member states in the Southern African Development Community (SADC). Botswana fares well in these measures of institutional quality, with only Mauritius performing better in regulatory quality and the rule of law. Botswana performs better than all members in the control of corruption.

Table 2: Regulatory Quality in the SADC Region (2007-2011)

	2007	**2007**	**2008**	**2008**	**2009**	**2009**	**2010**	**2010**	**2011**	**2011**
Country	**Est.**	**P-rank**	**Est.**	**P-rank**	**Est.**	**P-rank**	**Est.**	**P-rank**	**Est.**	**P-rank**
ANGOLA	-1.05	17	-1.06	16	-1.04	15	-1.04	16	-1.10	12
BOTSWANA	**0.44**	**65**	**0.49**	**65**	**0.49**	**66**	**0.46**	**67**	**0.50**	**69**
CONGO, DEM. REP.	-1.24	10	-1.30	8	-1.53	5	-1.58	5	-1.52	6
LESOTHO	-0.72	24	-0.64	29	-0.62	28	-0.60	30	-0.61	30
MADAGASCAR	-0.20	49	-0.32	43	-0.53	33	-0.59	31	-0.55	32
MALAWI	-0.48	33	-0.48	35	-0.44	36	-0.58	32	-0.70	27
MAURITIUS	**0.52**	**67**	**0.81**	**74**	**0.86**	**76**	**0.89**	**78**	**0.84**	**77**
MOZAMBIQUE	-0.56	30	-0.47	36	-0.37	39	-0.37	39	-0.40	37
NAMIBIA	0.00	54	0.17	56	0.10	55	0.13	55	0.08	55
SEYCHELLES	-0.86	20	-0.72	25	-0.62	29	-0.57	33	-0.43	36
SOUTH AFRICA	0.52	67	0.49	66	0.44	65	0.39	64	0.44	66
SWAZILAND	-0.71	25	-0.58	31	-0.55	33	-0.60	29	-0.64	28

TANZANIA	-0.40	38	-0.50	35	-0.46	36	-0.44	36	-0.44	36
ZAMBIA	-0.49	33	-0.45	37	-0.51	34	-0.49	35	-0.43	36
ZIMBABWE	-2.16	1	-2.11	2	-2.08	2	-2.03	2	-1.90	2

Est. = estimate, P-rank = percentile rank

Source: The World Bank Group (2012)

Table 3: Rule of Law in the SADC Region (2007-2011)

	2007	**2007**	**2008**	**2008**	**2009**	**2009**	**2010**	**2010**	**2011**	**2011**
Country	**Est.**	**P-rank**	**Est.**	**P-rank**	**Est.**	**P-rank**	**Est.**	**P-rank**	**Est.**	**P-rank**
ANGOLA	-1.40	6.22	-1.39	6.73	-1.22	10.43	-1.24	9.00	-1.23	10.33
BOTSWANA	**0.61**	**67.94**	**0.65**	**70.67**	**0.66**	**68.25**	**0.67**	**68.25**	**0.66**	**69.48**
CONGO, DEM. REP.	-1.60	1.91	-1.56	2.88	-1.63	1.90	-1.61	2.37	-1.60	1.88
LESOTHO	-0.35	45.45	-0.26	48.08	-0.23	48.34	-0.30	46.45	-0.27	47.42
MADAGASCAR	-0.37	44.50	-0.45	38.46	-0.72	27.96	-0.85	23.22	-0.84	23.94
MALAWI	-0.19	50.72	-0.14	51.44	-0.13	52.13	-0.15	50.71	-0.17	50.23
MAURITIUS	0.85	75.60	0.95	81.73	0.93	79.15	0.85	74.88	0.86	75.12
MOZAMBIQUE	-0.61	32.06	-0.61	33.17	-0.60	33.18	-0.48	38.39	-0.56	33.80
NAMIBIA	0.11	56.46	0.36	60.58	0.24	61.14	0.22	61.14	0.19	61.03
SEYCHELLES	0.12	56.94	0.22	59.13	0.06	55.92	0.02	55.92	-0.01	54.93
SOUTH AFRICA	0.06	55.50	0.02	54.81	0.09	57.35	0.10	57.82	0.10	58.69
SWAZILAND	-0.77	25.84	-0.63	32.21	-0.61	32.70	-0.49	37.44	-0.42	42.25
TANZANIA	-0.36	44.98	-0.35	45.19	-0.51	37.44	-0.52	35.07	-0.52	34.27
ZAMBIA	-0.57	35	-0.44	39	-0.46	40	-0.47	39	-0.47	39
ZIMBABWE	-1.76	1	-1.75	1	-1.82	1	-1.79	1	-1.75	1

Est. = estimate, P-rank = percentile rank

Source: The World Bank Group (2012)

Table 4: Control of Corruption in the SADC Region (2007-2011)

	2007	2007	2008	2008	2009	2009	2010	2010	2011	2011
Country	Est.	P-rank	Est.	P-rank	Est.	P-rank	Est.	P-rank	Est.	P-rank
ANGOLA	-1.32	4	-1.28	5	-1.44	2	-1.34	3	-1.36	4
BOTSWANA	0.94	79	0.99	80	0.90	78	0.98	80	0.97	80
CONGO, DEM. REP.	-1.31	5	-1.17	7	-1.38	3	-1.39	2	-1.37	3
LESOTHO	-0.12	55	0.03	60	0.16	64	0.18	63	0.22	64
MADAGASCAR	-0.10	57	-0.16	55	-0.20	53	-0.29	49	-0.28	49
MALAWI	-0.54	36	-0.43	41	-0.39	43	-0.43	42	-0.36	45
MAURITIUS	0.49	72	0.59	74	0.66	73	0.67	73	0.62	73
MOZAMBIQUE	-0.50	37	-0.48	39	-0.41	41	-0.39	43	-0.41	42
NAMIBIA	0.26	66	0.57	73	0.20	65	0.27	64	0.22	64
SEYCHELLES	0.19	61	0.25	64	0.32	67	0.29	66	0.26	65
SOUTH AFRICA	0.21	62	0.16	63	0.11	61	0.09	61	0.03	59
SWAZILAND	-0.24	52	-0.18	54	-0.19	54	-0.17	53	-0.27	50

TANZANIA	-0.34	46	-0.42	43	-0.44	39	-0.52	36	-0.52	36
ZAMBIA	-0.57	34	-0.47	40	-0.54	35	-0.58	33	-0.51	37
ZIMBABWE	-1.36	3	-1.30	4	-1.32	5	-1.30	5	-1.30	6

Est. = estimate, P-rank = percentile rank

Source: The World Bank Group (2012)

Conclusion

The purpose of this paper has been to assess whether Botswana's institutions are decent enough to support the country's privatization programme. Institutions, which comprise formal and informal constraints, are meant to govern economic interaction. International experience, as highlighted in the paper, has shown that efficient and properly functioning institutions tend to lead to optimal outcomes. In contexts where institutions are weak or non-existent, economic reform such as privatization, our subject of interest in this paper, often results in sub-optimal outcomes. Through a review of empirical literature and evidence provided by international indices that measure institutional quality, our objective in this paper has been to conduct an appraisal of the quality of Botswana's institutions: whether they are decent enough to support the privatization programme, including identification of aspects that require policy intervention.

The evidence presented in the paper leads us to conclude that Botswana's institutions are decent enough to support the privatization programme. However, policy response will be necessary to strengthen protection of intellectual property rights. The evidence suggests that patent protection in Botswana is non-existent. Protection against copyright piracy is also shown to be very weak. As we have demonstrated strong institutions are not only important in supporting economic reform, but are important in promoting innovation and new investment in the economy. In an economy seeking to boost private sector growth, an innovation and investment are critical, and investors will only feel comfortable if they have the confidence that their property rights are protected.

Postscript

Recent times have witnessed an increase in incidences of alleged corruption against a number of high ranking government officials which have brought into question, the efficiency of some of Botswana's institutions, in particular those relating to control of corruption. Worth noting is that Botswana has over the years been consistently characterized as a model for the fight against corruption. Recent allegations of corruption against high ranking government officials provoke thoughts about the extent to which this is necessarily true. In a separate paper that we are currently working on, we delve into this issue. In this paper, we also explore a number of issues relating to methodological aspects relating to international indices often used to characterize Botswana as a model of fighting corruption and why some of the components that constitute these indices need to be interrogated with a view to developing comparatively better measures.

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