BOTSWANA FEDERATION OF TRADE UNIONS (BFTU)

POSITION PAPER ON PRIVATIZATION IN BOTSWANA
2006

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FOREWORD

It is clear that the process of globalization has taken centre stage and now deepened in its several forms over the past decade. In the recent times, influential international organizations such as the IMF, World Bank, OECD, WTO and the European Union (EU) have in one way or the other been spearheading several economic strategies aimed at accelerating global integration. At the core of such several initiatives has been privatization and liberalization. Consequently, privatization has now been adopted as a viable alternative and vehicle for economic growth and development by most countries in the world and the sub-Saharan Africa in particular. In most of these countries, privatization has now been seen as a universal remedy to most of the socio-economic problems.

Botswana has not been an exception to most of these global trends. Thus, though the parastatal sector accounts for approximately 5% of GDP in Botswana, privatization through the Public Enterprise Evaluation and Privatization Agency (PEEPA) has been a central focus in the restructuring of the economy. It is argued that though a small sector, parastatals have an influential and a far more pervasive role and that their operational form has at many instances been a hindrance to the development of the economy. Reform of the parastatal sector, including privatization and restructuring is thus expected to gain momentum during the second half of NDP 9. It is thus argued that such reforms have the potential to deliver not only faster growth of the GDP, but also the growth of the rest of the economy. At a minimum, this initiative is expected to add 0.3% to GDP by 2008/09. In all, it is envisaged that the privatization policy would increase efficiency within the economy and further develop the private sector as a key productive partner and drive of economic performance.

Accordingly, several players have a stake in such economic transformation. The labour movement through the Botswana Federation of Trade Unions (BFTU) has participated in several PEEPA sensitisation meetings and has on many occasions made some policy pronouncements regarding their position on the matter. However, such pronouncements have not been documented to create a common platform for the labour to engage other stakeholders through social dialogue.

This position paper should therefore be seen as one of the initiatives that provide policy guidance on the position of the labour movement regarding the process of privatization in Botswana. It also documents several windows of policy alternatives on the treatment of labour as strategic partners in national economic programmes.

In the long run, it is hoped that the policy statements in this booklet will reassert workers' participation and influence on various delivery mechanisms of the privatization process in Botswana.

Long Live the Worker's Struggle!

Patrick D. Chengeta, Secretary General, BFTU
September, 2006

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1. INTRODUCTION

1.1 In the past decade, the process of globalization has assumed various forms and dispositions. We have consequently witnessed privatization being adopted as a vehicle for economic growth and development by most countries in Africa and the sub-region in particular. This wave of privatization and restructuring that has gripped the regional economies (including Botswana) has resulted in the extension of the market concept to areas as diverse as provision of utilities (including water), education and health care. In most cases, no public entities are being spared, from marketing boards to infrastructural parastatals and public utilities; the concept of markets is being applied unreservedly.

1.2 Despite some of the perceived positive benefits, massive privatisation programmes (Zambia and Tanzania are a case in point here) have not brought about the anticipated benefits. The extension of the concept of markets has resulted in the reversal of past gains, especially in the areas of education and health, and has resulted in food insecurity as commercialised marketing boards have exported grain during periods of surplus. The effects arising of out the privatisation and restructuring of State-Owned Enterprises (SOEs) on job losses and general economic well-being of the workers has also been phenomenal.

1.3 Workers' reactions to privatisation and commercialisation in the SADC region have varied from co-operation to resistance. In Botswana, though the Botswana Federation of Trade Unions (BFTU) has participated in PEEPA sensitisation workshops and made some pronouncements about the privatization process, there has been no concrete and unified position on the matter. This has thus necessitated that the BFTU harmonises the positions of its trade unions affiliates so that they can strategically place the workers' interests in the whole process of privatisation in the country. This is essential in reasserting workers' participation and influence on various delivery mechanisms of this process.

1.4 This position paper arises out of the BFTU's thorough engagement of its affiliates with the quest to put together a unified strategy regarding the privatization process in Botswana. The paper maps out strategies of dealing with the challenge of privatisation and making "capital" accountable to the workers' cause in Botswana. It also draws from other experiences and research work that has been carried out by some of the national centres in the region in order to consolidate the BFTU position.

2. DEFINITION AND SCOPE OF PRIVATIZATION

2.1 Most recent literature on socio-economic development in sub-Saharan African is fraught with the privatization concept. To a larger extent, this is owing to the neo-liberal approaches that most of these countries have had to adhere to as a means to rekindle their slackened economies. It is widely agreed that privatization can be defined as the "extension of control and wealth of the private sector at the cost of the state" (COSATU, 2001) or simply "the transfer of rights of ownership or services-provision from the public sector to the private sector" (Etukudo, 1997).

2.2 Over the past years though, there has been some paradigm shift regarding the privatization and the role of the state. As observed by the African Labour Researchers' Network, it is no longer the question of the "market replacing the state" but the state is now regarded as a "key partner in privatization". Thus it is generally agreed that privatization involves how the state scales down its role in provision of goods and services and how it plays a catalyst role within the market so that the market responds effectively to the demands of a given society.

2.3 In this concept paper, privatization is defined as explicitly put by Etukudo (1997) and defined by the 1995 Second Nigerian Economic Summit as "a variety of policies aimed at transferring, fully or partially, ownership and control of public enterprises to the private sector to encourage competition and emphasize the role of the market forces in place of statutory restrictions and monopoly powers"

2.4 Privatization assumes several dispositions or forms. The choice of the privatization modalities depends upon the objectives to be achieved. Thus for a given entity, this choice depends on "objectives of government, the financial condition and performance record of the entity and the ability to mobilize private sector resources through the domestic capital market." The following are some of the examples of some of the forms of privatization:

* Divestiture: direct sale of public assets and shares to the private sector.
* Commercialization: inducement of commercial values, goals and private sector management orientation enterprises so that they are market driven.
* Contracting-out/Out-sourcing: involves the privatization service provision.
* Others include corporatisation, management contracts, franchise, leases, concessions and stock market floatation.

2.5 Forms/Modes of Privatization

Most literature on privatization (Privatization Policy for Botswana, 2000, Kanyenze, 2004; Kikeri & Nellis, 2004) have described some of these forms or methods of privatization as follows:

2.5.1 Asset sales/divestiture

Divestiture involves the partial or complete transfer of public assets to private hands. The strongest argument for this option is that this will raise revenue for the government, which can be used to reduce the budget deficit and/or public debt. Divestiture is commonly used to privatize financially healthy firms, which are attractive to the public. An example of a country where divestiture was used extensively is the United Kingdom in 1980s and early 1990s.

2.5.2 Management Contracts

Under a management contract, a private firm manages the operations of a state-owned enterprise without committing its own investment capital or accepting full commercial risk or tariff collection or other -matters.

Two conditions are required for a successful management contract:

* The contractor must be given enough autonomy to implement commercial reforms
* The contract must contain effective incentives for good performance, including penalties for failure to meet agreed performance and goals/bonuses for superior performance.

Management contracts are sometimes seen as an alternative option when government commitment to fuller private participation is weak or where it is expected to improve information about the enterprise and its market before more ambitious private participation options are considered.

2.5.3 Concessions

Concessioning is a process in which assets are leased out to a Concessionaire at a fee. It basically entails the Government earning money by renting out the assets and facilities to the Concessionaire. It is envisaged that the Concessionaire will do all maintenance/replacement of assets. The private operator manages the company facilities, operates at its own commercial risk and accepts investment obligations whether to build a new facility or to expand or rehabilitate an existing facility. A typical contract has a fixed term and it involves transfer of the assets back to the state at the end of the contract. Concessions are a common option for water, ports, airports and toll roads, where governments desire private investment but do not wish to relinquish rights to ownership of assets in the long term.

There are various types of concessions. These include the Build-Operate Transfer (BOT), a concession contract under which a private operator agrees to build, operate and maintain a facility or system for a specified period of time after which the facility is transferred to the contracting authority. Build-Own-Operate-Transfer (BOOT) is another form of concession where the private individual agrees to build, own and operate the facility for a given period of time. At the end of the contract, the facility reverts to the authority at no cost. For example, in 1994, the Cameroon government entered into a 15-year concession agreement with Aeroports de Paris and Aeroports du Cameroon.

The advantage with a concession is that the facility will be handed back to the government, which can then reallocate the enterprise to a competitive individual, if the previous concessionaire was not productive and competitive. The business will benefit from possible financial backup, efficiency and inherent profitability associated with the operations of such concessioned enterprises. However, problems associated with concessioning include difficulties in formulating acceptable arrangements for the business take-over from the owners to the concessionaire(s), and complications in the formation and management of the legal framework.

2.5.4 Contracting-out

Under this privatisation model, Government retains control of the activity but contracts out to the private sector the production of goods or services. Instead of using government employees and equipment, private firms are paid from government funds to perform specific tasks or to supply specific goods. Government sets the standards and determine specifications with regard to the timing and quantity of services to be provided. In order to benefit from contracting-out, the outsourcing out of services to the private sector should be carried out through competitive bidding. Contracting-out has been used for municipal services such as refuse collection, street cleaning, ambulance services, and fire prevention services.

2.5.5 Franchises

Franchising involves the government granting a private firm an exclusive franchise to supply a particular service in a given locality. The government may maintain control over the price of the goods or services to be sold by the private sector. The advantages of franchising are:

* government continues to regulate the provision of public utilities such as electric power provision, telephone services and water distribution,
* competition is introduced through competitive tenders or bids for the franchises,
* the private individual/company is granted a service for a defined time period and
* the franchise may be revised and negotiated at regular intervals.

2.5.6 Leasing

Under a lease arrangement, government retains the ownership of the property and other assets and will simply lease them to an operator who will run the business for his own account. The private party, which pays the government a fee to use the assets, assumes commercial risk of operation and maintenance, and thus has incentives to reduce costs and the long-term value of the assets.

2.5.7 Management and/or employee buy outs (MBOs and EBOs)

In this model of privatization, management or employees are assisted to become new owners of the enterprise. As the new owners of the enterprise, management and employees should be able to increase the company's profits sufficiently to service any loans they might have taken out to buy shares. The model has some advantages:

* feasibility and political popularity,

* under certain conditions, MBOs and EBOs can result in more efficient outcomes, in that they align the incentives of workers and owners,
* besides the benefit of perceived fairness, minority employee owners can monitor managers or outside owners, thereby preventing mismanagement. The typical example is that of the National Freight in Britain which is a success story of employee buy-out, and
* employees are motivated by the sense of ownership and empowerment.

However, there are some disadvantages associated with MBOs and EBOs, namely:

* MBOs and EBOs are likely to be mainly restricted to relatively small operations that can be spun off from larger entities,
* labour-managed firms that are insider-dominated may end up granting excessive wage increases,
* may maintain above optimal employment and undertake insufficient investment because insiders may lack the necessary skills, especially management-related skills,
* employee-owned firms are more reluctant to cut employment than outsider investors,
* dominant ownership by employees may result in the perpetuation of existing inefficiencies, and
* lack of immediate benefits in the early stage may induce hardships to employees who may lose confidence in the whole scheme.

2.5.8 Voucher usage

This model of voucher usage keeps financing in the public sector, partly transfers production to the private sector and increases the scope for private choice of the service package. Under voucher usage, participants receive free voucher(s) that make them owners of a given fraction of an enterprise or group of enterprises. Privatization by voucher is akin to a capital transfer by the government to the private sector financed by sale of assets. The benefits are:

* overcome the problem of domestic capital shortage,
* avoid the charges of selling out of national assets to foreigners,
* is more transparent and fairer than privatizing by direct sales through tenders,
* the difficulties associated with valuing enterprises before privatization are avoided and
* it is suitable where the government is facing thin financial markets.

2.5.9 Joint venture with a strategic partner

This model is important in industries where economies of scale are important or industries that are subject to rapid technological changes or where interconnection with a world scale operator is advantageous. It may make sense to look for a strategic partner to acquire new technology or technical expertise. The advantages are that:

* the foreign partner will not necessarily insist upon a majority shareholding in the joint venture where the government holds a majority.
* it opens the way for employees and local interests to be offered a part of equity, part offered on the domestic stock exchange and part to be warehoused. This model is more applicable to airlines and other technical areas. The privatization of the Kenyan airlines is an example of a successful joint venture partnership with KLM.

2.6 Objectives of Privatization

The objectives of privatization may vary from country to country. The African Labour Research Network (2002) lists the following as the most common and central ones that most governments hope to achieve:

* liberalize the economy
* reduce the role of the state in the management of the economy
* enable more integration in the global economy
* gain access to international capital and markets
* develop a strong private sector
* increase competitiveness in state-owned enterprises (SOEs)
* comply with the conditionalities of donors and lenders like the IMF and World Bank
* reduce and eventually remove government spending (subsidies) on SOEs
* redirect subsidies to other areas of service delivery
* shift responsibility for service delivery from government to the private sector or commercialized SOEs
* increase efficiency, performance and productivity in SOEs
* downsize the public sector
* remove SOEs from political interference
* widen share ownership

3. HISTORICAL PERSPECTIVE ON PRIVATISATION

3.1 The history of privatization can be well understood when linked to the desire by most countries in the world in using the State in the management of their economies so that it [State] plays its distributive and allocative functions. (Adams, 2002). It is this same desire that led to the nationalization of key and strategic industries such as manufacturing, trade, transport, telecommunications, energy including broadcasting in the industrialized world as well. The European and US cases of creating state-owned enterprises (SOEs) has thus been linked to the "Keynesian" policies that advocated for a strong regulatory state that provides for their masses.

3.2 This economic thought or strategy was also well received by most African countries after independence in their quest to provide for their citizenry with social services. It was also seen as a tool to create and sustain employment. The decade that followed from the 1960s was a drive by most African countries to follow a state-driven development strategy. Most countries, such as Zambia, made giant steps to acquire stakes in the mining sector with a 51% shareholding value. Most counties in the SADC, even those that did not openly espouse socialist principles based on state ownership silently followed this path in a variety of ways.

3.3 By the 1980s most of the nationalized industries were operating below expectation. Most of them were poorly managed and inefficient thereby putting severe pressure on government revenue through subsidies. This, coupled with the global crisis of 1970s, induced the neo-liberalism based on the Washington consensus (IMF, World Bank and the US Treasury) whose basic tenets the African Labour Research Network (2002) ably summarized as:

* reducing the role of the state in regulation of the economy
* adoption of the market as an efficient way of allocation of resources
* state reducing their social spending and adhere to strict budget limits
* liberalize and open up economies to foreign trade and investment
* adoption of open-door policy of profit flights
* deregulation of labour market to allow for flexibility in employment
* abolishing centralized collective bargaining as it would bring about labour market rigidity
* keep wage increases in check to avoid inflation
* adopt private sector management as more efficient than public sector management
* encourage private sector involvement and investment in SOEs

4. THE IMPACT OF PRIVATISATION: SELECTED AFRICAN EXPERIENCES

4.1 An ILO sponsored working paper by (Etukudo, 1997) has divided the Sub-Saharan countries (SSA) into two categories. There are those countries that can be grouped according to the degree or extent of privatization in their economies, that is, “major, modest or minimal privatizers” and those that can be categorized by when they started their privatization process, that is “early starters, not so early and late starter”. The major privatizers where the majority of the state enterprises have been divested are among others, Benin, Guinea and Mali. Modest privatizers with less than 10 percent of the total value of public assets sold include Burkina Faso, Cote d’Ivoire, Gambia, Ghana, Kenya, Madagascar, Mozambique, Niger, Nigeria, Senegal, Tanzania, Togo, Uganda and Zambia with the rest being classified as “minimal privatizers” while the early privatizers are those that started privatization around 1970s to 1980s such as Benin, Guinea, Niger, Senegal and Togo. The other “not so early” group privatized after the late 1980s includes Cote d’Ivoire, Ghana, Kenya, Madagascar, Malawi, Mali, Mozambique, Nigeria and Uganda. The “late starters” that started their privatization program after 1990 include Burkina Faso, Cameroon, Ethiopia, Sierra Leone, Tanzania and Zambia.

4.2 Whatever the distinction of when and how the privatization programme started or indeed its degree, it is clear that the policy is now entrenched as an economic strategy in Africa. Thus one can note that within the SADC most of the counties that were not listed more than five years ago such as Angola, Zimbabwe, Namibia, South African and Botswana have now all embraced this policy as a national economic strategy for variety of reasons. Further, some of the countries listed as only having been modest privatizers such as Zambia and Tanzania can now be classified as “major” after having divested most of their shares even in strategic industries such as mines after 1997 when the ILO study was carried out.

4.3 The impact of privatization especially on labour has been phenomenal. Despite claims that privatization would bring greater efficiency, many experiences in African have been gloomy. For example, Zambia adopted a fast approach to pritivatization. In a space of less than ten years, the country privatized 257 SOEs out of 280 earmarked for privatization under the IMF and World Bank conditionality. Most of the SOEs were closed down and their assets “sold for a song”. These included the United Bus Company of Zambia, National Wholesale and Marketing Company and Zambia Airways. Though the government through the Zambia Privatization Agency (ZPA) argues that only 6000 jobs were lost, the Zambia Congress of Trade Unions legitimately estimates that the privatization process lead to the direct loss of over 61,000 jobs. (Muneku, 2003). This is backed by the Jesuit Centre for Theological Reflection (JCTR), a Catholic thin-tank which estimates formal employment to have fallen from 490,000 to about 350,000. This number could even be higher given the process of retrenchment in the civil service that has continued to date. Whatever the case the labour cost has been enormous with retrenchment that lacked adequate compensation and social security.

In the whole of this process, the labour movement was totally ignored and never consulted as government claimed they were under pressure from the IMF and World Bank under the Structural Adjustment Programme (SAP).

4.4 In Tanzania, the privatization process was with a lot of controversy that ranged from accusations to outright lack of transparency in sales to undervaluing some assets in key national utilities such the National Bank of Commerce (NBC) and the Tanzania Electricity Supply Corporation (TENESCO). Job losses and retrenchments occurred with ABSA, that bought the bank reducing staff from 1176 in 1999 to 934 in 2001, while over 6000 workers at TENESCO protested and demanded voluntary agreement with government before the company was to be sold off. It is also said that between 1994 and 1995 workers took the Parastatal Sector Reform Commission to court over the sale of four large state enterprises.

4.5 In Zimbabwe, the results of privatization has had the same impact leading to retrenchments and increased prices of goods and services. It was implemented without clear guidelines and without workers participation. There was also no clear transparency and accountability. For example, the Cotton Company of Zimbabwe is said to have reduced its workforce from 3000 to 500. Air Zimbabwe retrenched 300 workers while the Grain Marketing Board retrenched 1,250 out of its 2500 workers.

4.6 In South Africa, the labour movement has been strong in advocating against privatization through mass protests, research and advocacy for alternative approaches that stress the developmental role of the state and through negotiations to build new forms of security for the workers. It is estimated that the telecommunication company Telcom lost over 15,000 jobs due to retrenchments and outsourcing while the public service is said to have lost over 100, 000.

5. THE CASE OF BOTSWANA

The Economy

5.1. Botswana has relatively a small population of about 1,640,115 (approximately 1.7 million) people. It has maintained a stable and steady economic growth since 1966 thus transforming itself into a middle-income country with a per capita GDP of income of $9,200 in 2004 (World Fact Book, 2005). The country has also made some remarkable investment and progress in education and health. Like most developing countries, Botswana is a mono economy depending mainly on the extraction of diamonds for export. On average, this accounts for over 70-80% of its export earnings. Botswana is also a large exporter of beef to the European Union, though this industry now faces a myriad of problems. Currently, the country has placed emphasis on diversification of its economy to other sectors such as tourism.

5.2 Employment remains one of the critical policy focus in Botswana. In terms of the Labour Force[1], the 2001 Population and Housing Census estimates that they are about 589,782 economically active persons with the majority being between the ages of 20 to 44 years. (Labour Statistics: 2002, 2004). The 2002/03 Household Income and Expenditure Survey (HIES) estimated a higher figure of 606,286 economically active people aged 12 and above[2].

5.3 It is also estimated that in 2002, all formal sector employment grew by 3.1% from 270,600 persons during September, 2001 to 278,900 in September, 2002 with the government recording an increase of 5.8%. The private and parastastal sectors combined showed an annual increase of 1.9%. This increase occurred more in the private sector (2.1%) with the parastastal recording formal employment increase of 0.7%. (Labour Statistics: 2002, 2004). This indicates that government still carries the burden of employment creation in Botswana.

5.4 However, despite all this, labour analysis reports show a perennial and increasing rate of unemployment in Botswana since 1991. The labour reports show the following unemployment trends: 1991 (13.9%), 1993/94 (21.6%), 2001 (19.6%), 2002/03 (23.8%) (Annual Economic Report 2003; 2002/03 Household Income and Expenditure Survey [HIES]). The most worrying trend is the high prevalent of unemployment among the youth. The 2000 Multiple Indicator Survey and 2001 Population Census, estimate the national average youth unemployment at 34.6% and 32.8%, respectively. The unofficial statistics could be even higher.

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[1]The labour force is defined as the total economically active population comprising the employed and those actively seeking work (unemployed) persons.

[2]The 2002/03 HIES comprises employees (paid cash and paid in kind), self-employed (with no employees), unpaid family helpers, and those who own land/cattle posts.

5.5 There are both internal and external factors that can be attributed to this high and progressive rate of unemployment in the country. Internally, the dependence on the extraction of the diamonds has not led to expansion in job creation while other sectors have not shown any significant growth. In addition, the implementation of fiscal and macroeconomic measures such as devaluation of the Pula, increases in interest rates and inflation have reduced the capacity of the highly government-dependent private sector in creating employment. This has been compounded with increase of government expenditure on HIV/AIDS programmes leading to the postponement of some capital projects that could generate employment.

5.6 Externally, global trends have taken their toll. Globalization has meant the integration of trade, investment, capital, technology and labour. Privatisation and restructuring, albeit in various forms has gripped most regional economies (including Botswana) thus entrenching the neo-liberal market concept. There is also the question of the multiplicity of trade agreements being reached simultaneously in most SADC countries. Botswana now has to contend with a range of other trade arrangements such as the Southern African Customs Union (SACU) which brings together Botswana, Namibia, Lesotho and Swaziland (the BNLS States) together with South Africa, the Africa Growth and Opportunity Act of 2000 between the USA and Africa, the Cotonou Agreement of 2000 which is the successor to the Lome Agreement between the European Union (EU) and the African, Caribbean and Pacific (ACP) countries, etc.

Privatization in Botswana

5.7 Botswana has been an exception to pressures to privatize in only as far as its privatization process has not been with regards to the dictates by the IMF and World Bank. As we shall allude to later in the proceeding sections, the privatization process in Botswana has been guided by its desire for public sector reforms as embedded in its traditional planning processes, in this case the NDP 9 which runs from 1st April, 2003 to 31st March, 2009 and anchored on Vision 2016.

5.8 It is also important to note that at independence, the involvement of government in the economy in Botswana was not ideologically driven by nationalization like other African countries, rather by the desire to revitalize the poor state of the economy. At that time, the private sector was said to be weak and "reluctant to venture into any significant projects outside the mining sector" (Ncube, 997).

Thus government has over the years facilitated the provision of essential services such as housing, telecommunication, water, electricity and transportation through government department and parastatals. The end result has been the dominance of government in the economy, in terms of the contribution to national output and employment. It has thus been argued that, though small, the parastatals have an influential and a far more pervasive role in the economy in Botswana. However, it is also argued that their operational form has at most time exhibited inefficiencies and at many instances been a hindrance to efficient service delivery and the development of the economy as a whole (BIDPA, 2006).

5.9 The Privatization Policy for Botswana (2000) confirms this with respect to the Botswana's position on privatization that "the impetus for privatization in Botswana has come from the desire to improve efficiency in the delivery of services, to raise the country's growth potential by securing stronger flows of foreign direct investment and technology transfer, and to create further opportunities for the development and growth of the citizen business sector".
Reform of the public sector privatization and restructuring (though the non-financial public enterprises accounts for approximately 6% of GDP) is expected to gain momentum during the second half of NDP 9. It is thus argued that such reforms have the potential to deliver not only faster growth of the GDP, but also the growth of the rest of the economy. At a minimum, this initiative is expected to add 0.3% to GDP by 2008/09. (BIDPA, 2006).

The reasons for privatization in Botswana have been ably summed by Sarah Adams (2002):

* cautious approach to manage the high levels of recurrent expenditure due to heavy spending on HIV/AIDS and the speculative economic downturns in the world market
* government's desire to foster a freer and increased productivity by reducing its presence in the economy
* the emergence and development of a willing and capable private sector to supply goods and service that would replace government efforts
* the restraint arising out of the unfavourable regional growth and the need to grow the domestic market
* the need for economic diversification from the reliance on diamonds
* privatization would allow the government to concentrate and handle efficiently those duties that it could do better such as addressing the HIV/AIDS.

What is to be Privatized in Botswana

5.10 According to the Privatization Policy for Botswana (2000), the following principles shall guide privatization in Botswana:

* Privatization will be conducted for the benefit of all and not the privileged few
* Privatization should make the country's utilities and industries more efficient and competitive
* Privatization will be selective and, where implemented, the process will be transparent and equitable
* Privatization of major assets will be conducted in a way that will stimulate the development of local financial and capital markets
* Privatization through small-scale sales or lease of assets, and through

contracting out, will also be conducted in away that will present opportunities for the development of citizen-owned businesses

* Different modalities of privatization will be considered as appropriate for improving the efficiency of different enterprises or units
* An appropriate regulatory and supervisory authority will be created, where privatization is expected to result in privately owned monopolies
* When privatization occurs, measures will be taken to safeguard employee interests
* Government will drive the privatization process but for detailed implementation will hire expertise, merchant banks, brokerage houses, public relation and adverting firms, etc.

5.11 The Government of Botswana through the Draft White Paper approved the privatization policy in 1998. This was followed with adoption of the Privatization Policy in 2000 and establishment of Public Enterprise Evaluation and Privatization Agency (PEEPA) in 2001 with a mandate to oversee the whole privatization process. PEEPA has examined the operations and activities of the Central Government Departments, Parastatals and Local Authorities with the view of "enhancing private sector participation." PEEPA has also developed a Privatization Master Plan (PMP) which details the suitability for privatization of all public enterprises under the criteria set in the PMP.

5.12 PEEPA has also as per Cabinet Memo (Cab No. 29(b), 12 September 2002) developed and is finalizing a Public-Private Partnership (PPP) framework "whereby the private sector may undertake a significant role in the provision of public infrastructure and related infrastructure services as a possible form of privatization"

5.13 According to the Privatization Policy for Botswana (2000), the modes or methods of privatization in Botswana will vary from entity to entity but will largely take those discussed under 2.5. The following have been identified as activities and public enterprises earmarked for privatization:

considered for privatization or commercialization	public entities recommended for commercialization and corporatisation	Other public enterprises or entities which would be serious candidates
• Refuse Collection • Catering Services • Security Services • Cleaning Services • Landscaping and gardening • Laundry Services • Medical equipment maintenance • Mechanic and electric maintenance • Ambulance and transport services in public hospitals	• Department of Architectural and Building Services • Registrar of Companies • Government Printer • Botswana Institute of Administration & Commerce • Institute of Development Management§ • Botswana National Productivity Centre • Department of Supplies • Title Deeds Office • Surveys and Mapping • Department of Information and Broadcasting • Customs Department	• Botswana Development Corporation • National Development Bank • Botswana Building Society • Botswana Savings Bank • Botswana Export Credit Insurance • Botswana Motor Vehicles Insurance Fund • Botswana Power Corporation • Water Utilities Corporation • Botswana Telecommunications Corporation

Activities to be considered for privatization or commercialization	Departments and other public entities recommended for commercialization and corporatisation	Other public enterprises or entities which would be serious candidates
• Debt collection • Tax collection • Road maintenance • Billing functions • Training entrepreneurs • Administration of selected tourism activities • Management of national parks and game reserves • Bore hole drilling and maintenance • Organization of international conferences	• Department of Transport • Roads Department§ • Birth/Death registration • Veterinary Services • Geological Department • Department of Water Affairs • Immigration Department§ • Department of Civil Aviation • Central Sterilizing Unit • Department of Student Placement and Welfare • Botswana Wildlife Training Institute • Central Transport Organization • Computer Bureau • Rural Industries promotion • Botswana Technology Centre • Food technology Centre	• Botswana Housing Corporation • Air Botswana • Botswana Meat Commission • Botswana Livestock Development Corporation • Botswana Agricultural Marketing Board • Botswana Railways • Botswana Postal Services • Banyan Pty Ltd. • Botswana Vaccine Institute • Municipal Abattoirs • Government Ranches

The Privatization Master Plan (2005) has classified all Public Enterprises (PEs) in a quadrant privatization decision grid into four major areas: those desirable under current conditions and immediately feasible (A); those desirable under current conditions but not immediately feasible (B); those not desirable under current conditions but immediately feasible (C); those that are not desirable under current conditions and not immediately feasible (D). As matter of critical interest the following are those are both feasible and desirable under the current conditions:

* Air Botswana
* Banyana (PTY) Ltd
* Botswana Agricultural Marketing Board
* Botswana Building Society
* Botswana Export Credit Insurance and Guarantee Company
* Botswana Telecommunication Corporation
* Botswana Vaccine Institute
* Subsidiary companies of BMC
* Subsidiary companies of RIPCO
* Subsidiary companies of BTC
* Subsidiary companies of BP

Those in quadrant B include:

* Botswana Housing Corporation
* Botswana Meat Commission
* Botswana Post
* Botswana Power Corporation
* Botswana Railways
* Botswana Savings Bank
* National development Bank
* Water Utilities Corporation

6. POSITION OF BFTU ON PRIVATISATION IN BOTSWANA

The BFTU is ideologically opposed to the process of privatization but will seek to engage government and other stakeholders through social dialogue and collective bargaining with a broader socio-economic development agenda that emphasizes the protection of workers and poor society at large. The Federation's concerns about privatization are articulated below based on three major points of view:

* Workers' strategic global ideological perspective
* Socio-economic perspective on the role of the state
* Traditional labour collective bargaining perspective

6.1 Workers' Strategic Global Ideological Perspective

Based on workers' strategic global ideological perspective, the following are the concerns of the BFTU.

6.1.1 The current pace and drive of privatization in Botswana seeks the triumph of capital over workers' rights and is motivated by profit rather that a wider socio-economic agenda to reform the public sector and increase workers' productivity for the better good of society.

6.1.2 The current transmission of the neo-liberal agenda which usually argue that foreign investment and job creation are key outcomes of a privatized market is flawed, given that in reality the indigenous private markets in Botswana are still fragile and driven by foreign capital. As has now been acknowledged at several fora, the indigenous private sector is still small and heavily dependent on government and that deliberate ways to integrate the indigenous private sector within the market cannot be accomplished by privatization per se. It should involve a holistic home-grown industrial strategy.

6.1.3 Privatization will have a severe impact on the traditional processes of organizing labour in the country. It is clear that the privatization process now seeks to annihilate workers rights so that the collective spirit of labour organization is severely weakened in Botswana. It is further feared that privatization without social considerations will undermine legitimate union organization in Botswana through job losses and general membership. This will eventually lead to the infringement on the core ILO standards of organization, freedom of association, collective bargaining and social dialogue which are the cornerstone to increased cooperation and mutual trust, the very basis for effective economic performance at micro and macro levels.

6.2 Social Responsibility of the State

Within the context of workers' socio-economic perspective on the state, the BFTU is of the view that the privatization process seems to have taken a narrow agenda of economic transformation without social responsibility to the workers and the poor society at large. Below are the concerns of the BFTU.

6.2.1 **Provision of Services to the Poor:** Social responsibility of the state simply implies the provision of social services and protection of the weak, vulnerable and the poor. In Botswana, the developmental role of the state as prescribed in National Development Plans (NDPs) entails provision of basic social services and amenities within a given geographical area, which services are widely accessible (within reach) and of a given quality e.g. basic health, clean water etc. The state has been doing this in lieu of the monetary value (ability-to-pay) of the public goods, but has emphasized the social benefit to society based on the question of social and allocative efficiency as a component of economic efficiency and national development. The BFTU notes that the purpose of provision of these services is therefore diametrically opposed to the profit motive which privatization seeks to introduce in the production of these services. It is clear that privatization will shift the producer, change the motive of production and affect access and quality. In other words, privatization is the abdication of the social responsibility of the state in favour of market forces, which will emphasize the ability-to-pay of consumers and profitability in production (technical/productive efficiency).

6.2.2 **Loss of State Leverage:** In view of the above, the BFTU notes that the rural population will be the first casualties of the privatization process in terms of reduced access due to limited market capacity (lesser effective demand) which is necessary for profitability. The concern of private businesses about viability and profitability will also: (i) further entrench the urban-rural development gap responsible for rural-urban migration, crime and other modern social development challenges and (ii) reverse the developmental ideals of the state, which are rural development, equity and access. The implication on government planning is that reducing the direct role of government weakens its leverage in determining the outcome of Development Plan objectives.

6.2.3 **Technical vs. Social Efficiency:** The BFTU believes that the argument of productive efficiency arising out of privatization has been exaggerated and overstretched. Economic efficiency should not be at the expense of social efficiency. Public sector reforms as being advocated through privatization have narrow economic interests that will serve the rich population rather than the poor. This is so because privatization will open up opportunities of making profits from the public service for a limited few. Currently, the economic conditions in the Botswana show glaring income inequalities. According to the UNDP Botswana Human Development Report, 2005, the gini-coefficient[3] for Botswana stands at 0.626. Further, about 47% of the population lives below the national poverty line while income of the poorest 40% of the population is only 11.7% of the total

[3]The gini coefficient measures the extent of income distribution among individuals or households within an economy. A gini coefficient of zero means total equality and that of 1 implies complete inequality.

GDP. This, in itself, does confirm the deep inequalities within our society and justifies the continued role of the state in the economy rather its roll-out through privatization.

6.2.4 **Social Security:** Although the role of the State in providing some form of social security in Botswana is comparatively better in the SADC region, the current social security system is rather reactive, not direct and unsystematic. It is fragmented and hidden in various indirect social expenditure by the State. In this context, the BFTU's argument is that the impact of privatization will worsen the socio-economic situation in terms of dependency burdens (youth-aged, urban-rural, employed-unemployed etc) and thus increase the pressure on an already weak support system, which is heavily shouldered directly by the working class. This is because privatization implies increased and new tariffs and scaling down of direct provision of rural infrastructure.

The BFTU also notes that the changing social structure of society in Botswana (such as growing youth population, growing dominance of the nuclear family and continuing collapse of traditional social safety system provided by the extended family system) will make matters worse when exposed to open market shocks.

In every argument in favour of privatization, the loss of jobs preceding and after the privatization process to right-sizing is deliberately and grossly understated as negligible in comparison to perceived "new jobs". Most projections, however, show that job losses due to: getting the organization 'lean enough for sale', further downsizing shortly after divestiture and long term job loses due to poor industry and macro- performance will be evident. This is because the Botswana economy, being a small, dependent, mono-cultural (without strong inter-linkages), open and vulnerable economy, is highly sensitive to external shocks to the extent that jobs will be so easily shed in response to global economic pressures. Government may be forced to come to the rescue as in the case of the Construction industry and CEMAEF, which were industry specific performance cushions. Job losses have a deepened multiplier effect. First, they will lead to further job (and income) losses. Secondly, the protection of workers in terms of job security and monitoring of occupational safety and health standards is currently very weak due to institutional incapacity of the state and the avoidance of a more regulated work environment. This means privatization will make it worse because it promotes liberalization (such as casualisation) and the narrowing the role and scope played by the state in the economy. In this context, it can be argued that the privatization process seem to have taken a narrow agenda of economic transformation without social responsibility to the workers and the poor society at large.

6.2.5 **From Public to Private Monopolies:** Then there is the issue of market concentration (monopoly) and competition. The argument is often made that privatization ensures greater competition, lower prices, efficient production decisions, etc. The benefit of reduced tariffs is often not realized due to a number of factors. Most of the time this predicament is addressed in neo-liberal economic policy by such concepts as export-orientation, currency devaluation and so on. However, the BFTU asks: what about volumes of water, air transport, energy, telecommunications, healthcare, education etc? Will there be a ready export market in the region or abroad to justify profitable production given that the market in Botswana is small? In the absence of such market, the Federation can predict two possible outcomes, both negative: either there will be increased tariffs to cover for the lack of volume and cost (of imported inputs) or there will be an increased tendency towards concentration (consolidation of interests usually in favour of a foreign dominant multinational) to justify the business – the results of which will, again, be increased tariffs, complacency and abuse of market power. In the long term, the net outcome will be a replacement of public monopolies with private monopolies which have no social responsibility to the local consumer, especially the poor.

6.2.6 **Quality of Services:** Part of the social responsibility of the state entails the protection of standards in the provision of social services so that if such services are to be produced by a profiteer, who by nature has no social motive, they would be of the desired quality. In liberal economic thought, market competition is supposed to "police" producers so that they produce the type and quality of products that consumers want. But in reality, markets, especially in developing countries, which are underdeveloped, terribly fail to achieve this. The consequence of this will be that consumers of basic services, mostly the poor, will be exposed to the profit maximizing monopolies who would not only lower quantity to raise price, but also drop quality to reduce costs, given the likely absence of real choice/alternatives which are affordable. This means that when the private sector rejects the desired standards and prices, there would be no fall back position for the working class and the poor. Even if the provision of social services could use a method of privatization through which government only pays a private producer, government will need to develop the capacity (which is admittedly absent) to evaluate and set proper technical standards to ensure durability and quality. This is because many government departments which are technically under-resourced are themselves earmarked for privatization (Roads, DBES, Civil Aviation, Water Affairs, CTO, Agriculture etc). In any case, the current situation is that government finds it a challenge to retain the technically competent employee or continuously bear the costs of training. Under privatization, efficiency from training would be a thing of the past since profiteers are more likely to ignore the importance of training but would require that employees pay for their own training or employ only those who already posses required skills. Even if government compels training standards then, firms would simply hike tariffs to recoup training costs. In such a case, government will have to rely on the private sector (consultants) to carry out this function, which will also apply commercial principles with no social responsibility.

6.3 Traditional Collective Bargaining Perspective

From a traditional collective bargaining stand point, privatization will have a severe impact on the traditional processes of organizing labour in the country. The BFTU believes that workers have a stake and are core to the whole transformation process of public sector reforms hence the need for their security to be negotiated through a collective bargaining process. The following are the concerns.

6.3.1 **Job Losses and Unemployment:** The BFTU fears that privatization without social context will lead to significant job losses and will not provide for more job creation or any social safety nets such as re-skilling/training the workers. The Federation believes that most of the private companies would close down operation that are less profitable but which benefit the poor. They will also not take social responsibility for the survival of the workers. Even where companies plan to list shares, we believe these will be directed at the rich who can afford. The argument that new jobs will be created through restructuring is not supported by any practical and objective realities within the Botswana economy. As earlier observed, unemployment now officially stands at 23.8% and this means there is no guarantee those that lose jobs through privatization will be easily absorbed elsewhere. In other practical worst case scenarios, most of those that lose jobs may need re-training to enter the new job market. Thus, the cost to personal livelihood and impact on society will eventually be substantial.

6.3.2 **Casualisation:** Privatization will also induce casualisation of labour, where most workers will be hired for a limited fixed-contract. Casualisation will be systematically used by employers to divide one section of workers against the other in order to weaken them. Casualisation is intended to strike at the roots of workers' collective spirit and organization. It takes way the power of labour as a countervailing force to the power of capital in the market place. Further, most labour practical realities point to the fact that the worst jobs are often forced onto casual workers since they cannot protest against such jobs. Apart from occupation and health hazards, such jobs have other implications for the workers as well. Since there will be no pressure from workers to better the conditions of employment, there is little incentive for employers to bring about positive and forward-looking changes in the working conditions. The process of production, in such situations, may even be characterized by very under developed technology, which ultimately thwarts national industrial growth. In other words, casualisation does not actually create decent jobs. The argument that casualisation leads to a process of creating more jobs because there is less pressure of retaining the workforce on employers is not plausible in the context of efficient productivity for better economic performance.

6.3.3 **Lack of Social Dialogue and Collective Bargaining:** The current drive of the privatization process has negated the meaningful input of the labour movement and is not treating the worker as an equal partner through real collective negotiations despite earlier policy statements that stated otherwise. It is of concern that whereas the Privatization Policy in Botswana had earlier stated that workers' interests would be taken care of, the manoeuvers over the privatization of the Botswana Telecommunication Corporation (BTC) and Air Botswana clearly indicate that negotiations with respective trade unions over the mode and protection of their members' interests have not been given due priority. This means privatization has/will in reality remove workers from the real bargaining units thus endanger members' incomes, benefits and job security.

7. WAY FORWARD: ALTERNATIVE POLICY STATEMENTS FOR LABOUR

In terms of engagement and dialogue with government and other stakeholders, the following will constitute the key policy statements on privatization in Botswana:

Socio-economic Development

7.1 At national economic level, the BFTU advocates an alternative industrial production system, one that is based on domestic demand and human needs and indigenously-driven.

7.2 The BFTU believes in a diversified economy that uses local resources and domestic savings as opposed to the present mono export-oriented strategy, biased to foreign investments. A diversified economy should be based on a well thought-out industrial strategy. This would lead to the horizontal integration of agriculture and industry as opposed to the vertical integration of each sector separately with the global economies.

7.3 The BFTU believes in an economic strategy with an increasing rather than the current diminishing returns to social labour. The Federation advocates that the role of the State in the oversight and redistribution of wealth must continue, given that the current state of the private sector (especially the indigenous private sector) is still fragile. The State ought to enhance social protection so that basic services are provided to ensure that Batswana do not fall deeper into extreme poverty. All over the world markets have not been known to break the vicious cycle of poverty. The BFTU thus advocates for a strategy with a politically governed redistribution of the wealth and opportunities.

7.4 The BFTU believes that there is a general consensus that markets do fail to create desired outcomes such as lower prices and increased competition. The Federation notes that though there is a fast track of privatization on one hand, there has been no establishment of institutions which are supposed to regulate competition, more specifically a competition law which would set up a competition authority and competition tribunal/court. The BFTU, therefore, advocates for a competition law and tribunal before the sale of companies so that we do not fall in the trap of creating foreign-owned oligarchies and monopolies.

7.5 The BFTU believes in the protection of consumers, especially the poor. In terms of access, the BFTU advocates, an alternative, for legislative guarantees on rural access to basic services which will be privatized, such as telecommunications, water, energy etc. These can be grafted into transaction agreements when disposing of such Public Enterprises to compel social efficiency at the expense of profit.

7.6 The BFTU believes that in mitigating the impact of privatization, the State, as the author of the process, has a social responsibility to take steps which will directly promote the growth of the informal economy which has the potential to absorb retrenchees and indigenization.

7.7 The BFTU advocates for a policy where companies that are privatized must ensure that they achieve growth by enlarging their services rather than simply retrenching workers in the name of cost efficiency.

Social Security

7.8 The BFTU believes that there is need for clear legislative framework under a proposed Skills Development Act whereby companies privatized should be obliged to subscribe a percentage to a fund established specifically for employers to re-train and develop workers.

7.9 The BFTU believes that the legal framework on privatization should be finite and explicit regarding the question of the negotiation of the workers' stake in the privatized companies rather that leaving this to the whims of International Financial Advisors whose loyalty to the workers' cause is not known.

7.10 The BFTU believes that the legal framework should also clearly stipulate how workers will be linked and integrated in other citizen empowerment schemes in event of retrenchment so that their livelihood is sustained.

7.11 The BFTU advocates for a comprehensive social security fund as a prerequisite for privatization in the place of the current fragmented social security system. As an alternative, the BFTU demands that government should put in place social safety measures first, such as a consolidated/comprehensive, direct, well coordinated social security fund in place of the current scattered pieces of social safety programmes (Remote Area Dwellers programme, Orphan care, Old age, World War II, Destitutes etc). This should be backed by compelling legislation and linked to productive activities (compulsory employers and employees contributions and state contribution) and promoting empowerment rather than dependence.

Tripartite Consultations and Collective Bargaining

7.12 The BFTU advocates for a meaningful rather than cosmetic consultation with the labour movement by government through PEEPA. The Federation believes that there should be detailed consultations and collective negotiations of entities being privatized so that workers have social protection that is guaranteed.

7.13 The BFTU thus advocates for a genuine national coalition (of government, labour and business) for a broader conception of industrial strategy that takes into account labour as a catalyst to development. The Federation demands for a balanced representation at the Consultative Council.

7.14 The BFTU advocates for tripartite structures at national level that have the impact in the national decision making processes so that the workers' voice on many economic issues will be heard other than just making recommendations through the Labour Advisory Board.

7.15 The BFTU advocates for the deepening of the participatory tradition across all the sectors of the economy with the authority to make collective decisions. This can be achieved through the establishment framework for consultation so that participation in policy making and implementation processes would be effective.

7.16 The BFTU will seek to participate in the broader spheres of employment creation. The Federation will support efforts that are targeted at mainstreaming the informal sector in the rest of the economy through access to capital, research, education and training.

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