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"Privatization of State Owned Enterprises in Botswana: A Case of Air Botswana"

By

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DECLARATION

I certify that except where due acknowledgement has been made, a) the work is that of the author alone, b) the work has not been submitted previously, c) in whole or in part, d) to qualify for any other academic award, the content of this dissertation is the result of work which has been carried out since the official commencement date of the approved research program; and, d) any editorial work, paid or unpaid, carried out by third party is acknowledged.

Signed: ______________________________

[Neo Maruapula]

This dissertation has been submitted with my approval as University Supervisor and would certify that the requirements for the applicable MBA Programme rules and regulations have been fulfilled.

Signed: ______________________________

[Professor Munyae M. Mulinge

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ABSTRACT

This study assesses the level of knowledge about and attitudes towards privatization among stakeholders in the privatization of Air Botswana. Utilizing self-administered questionnaires, data were collected from a sample of 50 respondents drawn from Air Botswana, the Botswana National Productivity Centre and the Ministry of Works and Transport. Those interviewed for the study were selected utilizing snowball sampling, a non-probability sampling method. Supplementary data were also collected through informal interviews with four key informants. The data were analyzed utilizing the SPSS-PC quantitative data analysis software. The data presentation relied heavily on descriptive statistics; that is, frequency distributions, percentages and means.

The results showed that those interviewed for the study were characterized by high levels of knowledge and understanding about privatization and displayed a positive attitude towards the process. They supported the process as a whole as well as its application to Botswana in general and to Air Botswana in particular. According to them, privatization was necessary 'to improve service delivery', 'to reduce government involvement in industry and commerce', and 'to make economies more competitive'. Nevertheless, the interviewees were concerned that privatization could lead to loss of jobs. Concerning the privatization of Air Botswana, the results revealed that factors such the withdrawal of Com Air as a potential buyer, lack of adequate strategic partners, and lack of management and government commitment, were responsible for the failed privatization of the airline. However, there was strong support for and commitment to the revival of the privatization of corporation from the government and other stakeholders.

It was concluded that there exists a high level of knowledge about and understanding of privatization and that Batswana have a positive attitude towards the process. Concerning Air Botswana in particular, it was concluded that conditions are ripe for the revival and

successful conclusion of the airline's privatization. All stakeholders had a positive attitude towards, overwhelmingly endorsed, and were very committed to the privatization of the company. In addition, it was felt that Air Botswana should remain sensitive to emerging challenges that are facing the aviation industry in general including the 'open sky' policy and increases in fuel prices. The study recommended that, given the current good will among stakeholders, the revived privatization of Air Botswana should be fast track and expedited the without further delays.

LIST OF ABBREVIATIONS

BDP	Botswana Democratic Party
BNPC	Botswana National Productivity Centre
BTC	Botswana Telecommunications Corporation
CBOs	Community Based Organizations
CTO	Central Transport Organization
IMF	International Monetary Fund
PEEPA	Public Enterprise Evaluation and Privatization Agency
SAPs	Structural Adjustment Programmes
SIP	Share Issue Privatization
SOEs	Stated Owned Enterprises
SOPs	Share Ownership Plans
WB	World Bank
WHO	World Health Organization
ZPA	Zambia Privatization Agency

CHAPTER ONE

INTRODUCTION

1.1 Background Information

Owing to recent developments in organization reforms, such as output based expectations, change management, and demands for competitive and quality service, many governments have tried several measures to improve services of under performing State Owned Enterprises (SOEs). Some of the earlier measures included various reforms and re-structuring exercises like structural adjustments and re-capitalization (Tsayang, 2000). However, since the early 1980s states have increasingly turned to the privatization of public enterprises and/or services as a way for improving efficiency in service provision. In Europe, for example, large scale privatization occurred in countries such as Britain, France, and the Soviet Union as an alternative to nationalization which had failed to provide for optimal, effective and efficient provision of utilities and transportation services and goods (www.answers.com/main/ntquery). The process of privatization, it was hoped, would diminish state control of the economy, strengthen the role of the private sector, reduce the financial and administrative burdens on governments, improve production and distribution of goods and services, streamline government structure and reinvigorate industries owned and/or controlled by the state (see e.g. Starr, 1988; Jazairi, 1994; Nightngale and Pindus, 1997).

In Africa, many countries attained independence with economies characterized by a very limited private sector. In response to this, governments, through Acts of Parliament set up parastatals (or state owned corporations) to serve a wide range of industrial and commercial functions in the economy. The business creations resulting from these measures gave governments leading roles in the economy and made them the dominant employers in most countries. As such, governments and markets in most African countries have played an indispensable role in economic development for many decades (Harsch, 2000). The public and the private sectors have been viewed as complementary rather than as substitutes for one another. However, consistent would trends in Europe and other places in the world, most African countries embarked on privatizing state owned enterprises in the late 1980s and early 1990s. Buoyed particularly by a push from the International Monetary Fund (IMF), the World Bank (WB), and other donor agencies, African governments have sold off thousands of state-owned enterprises. This has occurred with the expectation that it would help cut public sector waste, improve economic efficiency, reduce burden on tax payers, stimulate the private sector, attract more foreign and domestic investment, and guarantee the basic needs to the mass of the population by stimulating the revival of economies (Harsch, 2000; Osei-Hwedie, 2005). However, the process has been fraught with problems and controversy, and the challenge for many countries has been to accommodate the processes of privatization while balancing between public and private sectors.

1.2 Problem Statement

Consistent with trends in most other Africa countries, Botswana has a relatively large public sector that dominates economic activities and employment. However, concern has been expressed with respect to the efficiency of many public sector activities and questions raised as to whether the broad scope of these activities could be restricting the emergence of a vibrant, active and efficient private sector in the country (Botswana Government, 1998). In addition doubts have been expressed concerning the long-term sustainability of the dominant role played by the public sector in the economy. In light of these concerns, the Botswana Government reached the decision to embrace the privatization movement. Unlike in other African countries where much of the momentum came from the IMF, the WB, and other creditor institutions (Tanyi, 1997; Harsch, 2000), in Botswana the drive for privatization emanated from an internal desire to improve efficiency in the delivery of services and the need to create further opportunities for the growth of the private sector (Botswana Government, 1998, 2004). The state felt that the public sector in the country had grown to large thus rendering it cumbersome for government to manage effectively. Through privatization the government hopes to improve efficiency and productivity, attract foreign direct and portfolio investment, and increase citizen participation in the mainstream economy (Ministry of Finance and Economic Planning, 2003; Botswana Government, 2004).

An initial Plan for privatization presented by the Public Enterprise Evaluation and Privatization Agency (PEEPA) to parliament in April 2003 listed 26 public enterprises that were considered to have privatization potential. Among them was Air Botswana Corporation, the national airline of Botswana. Established as a fully pledged parastatal in 1988, Air Botswana is a feeder airline, which captures passengers from Johannesburg International Airport, Harare Airport and Windhoek Airport to Botswana and back. It works within a confined environment as a shuttle cargo and passenger scheduled airline. The airline was singled out as a case for privatization in March 1997. Although the process was initiated in 1998, to date not much has been achieved and the process is yet to be completed successfully. Despite this, no audit (research) has been carried out to determine factors that might have hampered the privatization of the corporation or that are responsible for the unsatisfactory progress so far. The study, therefore, focuses on the privatization of Air Botswana with a view to carrying out the first empirical audit of the process.

1.3 Aims and Objectives of the Study

The study utilizes the case of Air Botswana to document the views of stakeholders in the privatization of the airline about privatization in general and in Botswana in particular. By stakeholders we mean persons and institutions (such as the Ministry of Works and Transport and the Botswana National Productivity centre) that are directly involved in the privatization of Air Botswana or are interested parties in the privatization process as a whole. The study defines the term privatization narrowly to include the shifting of the production of a good and/or the provision of a service from the government to the private sector. Focusing on Air Botswana as a case study is important because the airline was in the first quadrant (most preferred) of organizations to be privatized in the country. The process however, appears to have stalled forcing the government to restart it after the second year.

The specific objectives of the study are to:

- Establish what stakeholders in the privatization of Air Botswana understand by the term and process of privatization.
- Assess the attitudes of stakeholders in the privatization of Air Botswana towards the process of privatization in general
- Document the views of stakeholders in the privatization of Air Botswana about the process of privatization in Botswana as a whole.
- Identify the major factors that are responsible for the failed privatization of Air Botswana to date.

By focusing on these objectives the study hopes to address the following questions:

- What do stakeholders in the privatization of Air Botswana understand by the term and process of privatization?
- What attitudes stakeholders in the privatization of Air Botswana have towards privatization in general and in Botswana in particular?
- What factors have stood in the way of the successful privatization of Air Botswana and how can they be overcome?
- How committed is the government and the management of Air Botswana to the privatization of the airline?
- What are the perceived benefits of privatization of Air Botswana and what are the fears associated with the process?

1.4 Justification of the Study

The importance of this study mainly lies with its capacity to contribute both theoretical and applied knowledge. The study focuses on a subject area where hardly any empirical research has been conducted in the past. The review of the existing empirical literature did not identify any empirical works focusing on privatization in Botswana from the perspective of stakeholders. Similarly, no previous empirical research focusing on the privatization of Air Botswana was found. This study, therefore, is a welcome step towards the bridging of this knowledge gap. Through it, we hope to increase the available information in the subject area and highlight some of the problems that have hampered the smooth progression of the privatization at Air Botswana in particular and in the country in general. Furthermore, it is hoped that by adding a more academic dimension to the subject of privatization, the study will stimulate further interest and research in the on going debate about the phenomenon of privatization; its capacity to stimulate economic growth, improve efficiency in the provision of services and to reduce financial burden facing many governments in Africa today (see e.g., Jazairi, 1994; Nightngale and Pindus, 1997; Harsch, 2000).

Through this study it is hoped that information (or knowledge) that has practical/applied utility will also be generated. Although the study is mainly undertaken for its theoretical utility, its results could constitute a basis for policy formulation in the management of the privatization process in Botswana in general and at Air Botswana in particular. Like elsewhere in sub-Saharan Africa, the process of privatization has been slow to take off as well as riddled with controversies and strong opposition. Documenting the level of knowledge about and the kinds of attitudes individuals hold towards the process as well as assessing the level of commitment to it and the dominant challenges facing it would help both government as whole and those who are directly responsible for its implementation, to rethink the process and develop policies that make it acceptable to the majority and enhance the smooth implementation of the process. More specifically, such could guide the PEEPA, the Ministry of Works and Transport, the Ministry of Finance and Economic Development, and the management of Air Botswana to rethink and/or strengthen their policies and initiatives for the privatization of Air Botswana.

An addition importance of this study lies with the successful privatization of Air Botswana. The airline is the only national carrier and plays a major role in the economic development of the country. This role is likely to assume greater prominence with the rising importance of tourism as an alternative economic sector as the government struggles to diversify the economy away from mining. No doubt, a reliable and dependable air transport is expected to service and promote the tourism industry. And with the funding of parastatals increasingly becoming stringent, privatization is the best option for increasing the efficiency and viability of the airline. In addition, Air Botswana is the first parastatal to be singled out for privatization in Botswana. As such, it is important to assess its implementation to inform government efforts to rethink the process of privatization, including policies, processes, and strategies. This is particularly important in view of the fact that the anticipated privatization of the airline has taken much longer than originally expected. Any effort to assess the process, therefore, is likely to yield good lessons that can inform the privatization of other public organizations and/or services in the country.

1.5 Organization of the Study

The study is organized into five chapters. Chapter one is the introduction and provides the background to the study including the research problem, objectives of the study, and the justification for the study. Chapter two presents a review of the theoretical and empirical literature focusing on the subject of privatization. It examines the process from the global point of view to the African context before narrowing down to Botswana in general and to Air Botswana in particular. The third chapter presents the methodology adopted for this study including the research site and units of analysis, the sample size and selection, data collection procedures, techniques of data analysis, the limitations of the study, and ethical considerations.

The results from the study are presented in Chapter four. The chapter focuses on the socio-economic characteristics of the study respondents as well as the respondents' level of knowledge about and attitudes towards the process of privatization in general and as it applies to in Botswana as a country and to Air Botswana as a single enterprise.

The final Chapter (five) summarizes and discusses the study's major findings. On the basis of the discussions ensuing in the chapter, the study's major conclusions are drawn and suggestions made for more effective implementation and better management of the process of privatizing at Air Botswana.

CHAPTER TWO

LITERATURE REVIEW

Chapter two presents the conceptual framework for the study by reviewing the empirical and theoretical literature pertaining to the subject of the study. The review commences with the presentation of an overview of the process of privatization followed by an examination of privatization tends in Africa and a synopsis of arguments for and against the process of privatization. It culminates with an examination of the Botswana and Air Botswana contexts. The Chapter is broken down into five sections. In section one a broad overview of the process of privatization is presented whereas section two profiles the trends in privatization with an emphasis on sub-Saharan Africa. In section three we present opposing viewpoints about the process of privatization. The final two sections review the process of privatization in Botswana in general and of Air Botswana, respectively.

2.1 An Overview of the Process of Privatization

There is no single commonly accepted definition of privatization. Savas (1987:3), for example, defines it as "the act of reducing the role of government, or increasing the role of the private sector, in an activity or in the ownership of assets," while Nightngale and Pindus (1997) define it as the provision of government financed services and activities by non-governmental entities. The term has also been define broadly to include a wide range of action that subjects government operations to market forces such as contracting out of publicly provided services to the private for-profit or non-profit sector, selling off of publicly managed corporations, sales by public stock offering, conversion to employee ownership, formal agreements, vouchers, grants, subsidies, public/private partnerships, and collaborative service delivery (Starr, 1988; Nightngale and Pindus, 1997). For the purpose of this study the term privatization is defined narrowly as the shifting of the production of a good and/or the provision of a service from the government to the private sector. This involves the transfer of ownership, power, and control from the state to private proprietors, who could be an individual or a corporation. It is often attained through the sale to private sector businesses of government-owned enterprises.

Most frequently privatization is driven by government policy. However, according to Starr (1988), the process can also be demand-driven. Demand-driven privatization occurs when demand for certain publicly controlled services outstrips the capacity of the public to supply the service because of stagnation or slow growth in the public sector. This causes a shift from public to private production of the service which is not buoyed by deliberate government action but by the choices of individuals or firms that a government is unwilling or unable to satisfy or control (Starr, 1988). Based on Starr (1988) where privatization is a demand-driven process, it does not require an absolute reduction in publicly produced services.

Privatization takes many forms such as contracting out for services, sale of publicly managed enterprises and assets to the private sector, sales by public stock offering, conversion to employee ownership, formal agreements, voucher programs, grants, subsidies, public-private partnerships, and collaborative service delivery (Starr, 1988; Nightngale and Pindus, 1997). Where the process involves outright privatization (or the sale of a business), it can take one of three forms; share issue privatization (SIP), asset sale, or voucher privatization (http://en.wikipedia.org/wiki/Privatization). SIP entails selling shares on the stock market and is the most common of the three types across the globe. On the other hand, asset sale privatization involves selling the entire firm to an investor and is more common in developing counties Finally, voucher privatization comprises the distribution of shares of ownership to all citizens, usually for free or at a very low price. It is the least common of the three types of privatization.

Generally speaking, the policy objectives and motives of privatization differ from country to country, and over time (Gergis, 1997; Ariyo and Jerome, 1999). In developed countries privatization is mostly associated with free market ideology while in developing countries it addresses issues of budget deficits as a response to pressure from the international community and donor agencies. However, central to the process privatization is the introduction of competition - for example, between public sector organizations, public and private sector organizations or and public and parastatal sector organizations - with the objective to increase efficiency, reduce costs, and improve quality and customer satisfaction (Nightngale and Pindus, 1997).

2.2 Privatization Trends

The privatization movement gained momentum in the late 1970s and early 1980s. In Europe and other developed countries, this was caused by factors such as rising discontentment with the performance of the public sector, the desire for more flexibility, the desire to reduce costs, and the desire to "empower" service intermediaries such as Community Based Organization (CBOs) (Hatry and Durman 1985). In Britain, for example, large-scale privatization occurred during 1979-1997 when it was perceived that nationalization did not provide for optimal, effective and efficient provision of utilities and transportation services and goods (www.answers.com/main/ntquery). However, some of the privatized companies, such as the British Rail service, were re-nationalized because they fared poorly after privatization and nearly became bankrupt. Privatization also occurred in other European countries such as France and the Soviet Union (www.answers.com/main/ntquery).

In Africa most countries embraced privatization in the late 1980s and early 1990s due to mounting pressure from the International Monetary Fund (IMF), World Bank (WB), and other creditor institutions to liberalize their economies. This occurred in response to the failure of structural adjustment programmes (SAPs) of the 1970s and 1980s to turn around ailing economies (Harsch, 2000). The push for privatization was anchored on the belief that market competition in the private sector is a more efficient way to provide services and allows for greater citizen choice. Among others, it was hoped that privatization would help cut public sector inefficiency and waste, provide greater scope to the private sector, attract more foreign and domestic investment, bring in new technology and create an economic turn around that would guarantee that the basic needs of the mass of the population were met (Harsch, 2000).

After modest beginning in the 1980s, the number of African countries engaged in privatization rose significantly during the 1990s (Harsch, 2000). According to Harsch (2000) during the first half of the 1990s most privatization in the continent affected mainly small-sized or medium-sized enterprises resulting in modest earning. However, during 1996 and 1997 the trend shifted with the privatization of larger and more attractive state-owned enterprises such as national airlines, banks, shipping companies, public utilities and telecommunications enterprises, occasioning a significant rise in privatization revenues (Harsch, 2000). The governments Zambia, for example, under the stewardship of the Zambia Privatization Agency (ZPA), embraced privatization with vigor (Tangri, 1999) and by January 2004, all of the 283 SOEs, with the exception of 24, had been sold off to both local and international private buyers (Zambia Privatization Agency, undated: 5). This quickly transformed the economy from one dominated by state-owned companies, government-administered prices and support systems to an open one driven by market prices.

By 2003, a total of 37 countries in the sub-Saharan African region were engaged in privatization, with South Africa, Nigeria, Ghana, and Zambia being the largest contributors to privatization earnings (The World Bank Group, 2006). According to the World Bank Group (2006), South Africa, the largest economy in the region, recorded the highest proceeds from privatization between 1998 and 2003 followed by Zambia, Nigeria, Cameroon, Ethiopia, Mauritius and Senegal. Since 2000, the country (South Africa) has been the leading contributor to regional earnings from privatization sometimes accounting for as high as 40 percent of the region's proceeds. However, other countries such as Burundi, Guinea, São Tomé & Principe, and Togo did not receive any proceeds from privatization during that period.

The IMF/WB driven privatization that has occurred across most of the African continent has been based on the belief that state intervention in the economy is mainly to blame for the economic woes affecting most countries (Osei-Hwedie, 2005). It is argued that, in general, state owned enterprises (SOEs) tend to make heavy losses, are dependent on government subsidies and protection, and distort the operations of market mechanisms. Thus, the sale of public companies, jointly with other economic reforms, are expected to speed up socioeconomic development (Tanyi, 1997) by paving the way for economic recovery, generating employment, and raising incomes, among others. However, nearly everywhere, the benefits of privatization are yet to be felt (Harsch, 2000). According to Harsch (2000), for example, the process has failed to both attract meaningful amounts of new investment to foster a genuine competition. This has increased the general level of skepticism about privatization. The situation is compounded by the secrecy with which many sales are concluded which has tended to foster a public perception that privatization mainly benefited foreign investors or local entrepreneurs with political connections.

2.3 Opposing Viewpoints about Privatization

The debate about privatization has produced strong and vocal proponents and opponents, but little empirical evidence about whether the public sector or the private sector is more effective. Privatization advocates present a number of reasons to rationalize the process (Savas, 1987; Nightngale and Pindus, 1997; Sclar, 2000). According to them:

i) State owned enterprises are loss making and to be sustained they siphon financial resources from other more efficient or better performing enterprises. This not only makes it harder for the efficient firms to find capital but also difficult for them to raise production and create more employment (Starr, 1988).

ii) Government owned corporations are run inefficiently and prone to corrupt practices and interference from politicians. For example, employees may be selected for political reasons rather than business or competences ones (Starr, 1988; Nightngale and Pindus, 1997). Furthermore, governments may "bail out" poorly run businesses with money when, economically, it may be better to let the business liquidate (or fold).

iii) The privatization of state-owned non-profitable (or loss making) firms is a political strategy for deflecting and reducing demands on the state and for reducing government "overload" which is responsible for excessive spending and poor economic performance (Starr, 1988; Jaziri, 1994; Nightngale and Pindus, 1997). This removes the burden of financing them off the shoulders and pockets of taxpayers as well as frees some national budget resources to be used elsewhere.

iv) Privatization is the best way to introduce competition in the economy (Nightngale and Pindus, 1997; Sclar, 2000). According to this view, public businesses are poorly managed, cannot compete in the marketplace, shy away from risk-taking, and cannot survive without continued government handouts. Yet, competition is good because it increases efficiency, reduces costs, and improves quality and customer satisfaction (Nightngale and Pindus, 1997; Sclar, 2000).

v) Privatization empowers community members by facilitating them to acquire shares in major corporations. This gives them a chance to "own" and control investments and to actually participate in the economy of the country (Ariyo and Jerome, 1999).

Those who are opposed to privatization dispute most of the claims advanced by its proponents. They posit that:

i) Governments are answerable to the people and it is in their interest to run SOEs well. Running such enterprises poorly will erode public support and reduce votes (http://en.wikipedia.org/wiki/Privatization). Thus, democratic governments have an incentive to maximize efficiency in nationalized companies, due to the pressure of future elections.

ii) It is undesirable to let private entrepreneurs own public institutions because private companies are driven by the goal to maximize profit. The desire to reduce costs and maximize profit by private companies will result in a reduction in services especially for those who are too poor to pay and a propensity to "cream," or serve those who are most easily served and most likely to succeed (Hatry 1989; Nightngale and Pindus, 1997; http://en.wikipedia.org/wiki/Privatization).

iii) The privatization process is often riddled with corruption (Sclar, 2000; (http://en.wikipedia.org/wiki/Privatization). It provides opportunities for civil servants in selling positions to enrich themselves grossly. Also, the process of privatization is often characterized by lack of public accountability; the public does not have any control of private companies (Sclar, 2000; Osei-Hwedie, 2005).

iv) The introduction of privatization might result in job losses/ the massive layoff of government employees, thus contributing to greater unemployment (Osborne and Gaebler, 1992; Jazairi, 1994; Nightngale and Pindus, 1997; Ariyo, and Jerome, 1999; Harsch, 2000). This occurs especially where a private company may be tempted to downsize to maximize profits. According to Ariyo, and Jerome (1999), in many instances this has been the case as staff retrenchments have been inevitable upon the adoption and implementation of privatization strategies.

v) With specific reference to sub-Saharan Africa, the opponents of privatization argue that:

- Privatization creates problems that stand in the way of its success and is not a panacea to the economic ills and the various difficulties faced by the public sector (see e.g., Mbikusita-Lewanika, 1990; Tangri 1999; Olukoshi, 1998).

- The process has neither laid the foundation for a competitive and sustainable private sector to develop nor paved the way for diversification (Olukoshi, 1998; Craig, 2000). Contrary to expectations, it has also failed to attract 'high' direct foreign investments into most economies (Craig, 2000).

- Contrary to expectations, privatization has not contributed substantially to greater citizen participation in the economy and ownership of assets primarily because they lack the capital to purchase companies or buy shares (Tanyi, 1997). Where it has proceeded aggressively, it has created a handful of elite controlling increased political and economic power, thereby increasing social and economic inequalities.

- In some cases, privatization has been responsible for job losses. To illustrate, in São Tomé and Principe agricultural laborers lost their jobs when state farms were privatized and were also evicted from the plantation housing where they and their families lived (Harsch, 2000).

2.4 Privatization in Botswana

Upon the attainment of its independence in 1966, Botswana had very little private sector presence in industrial and commercial activities. As a result, the government of found it necessary to initiate many such functions itself through two ways; either by setting up parastatals through Acts of Parliament, or by indirectly investing in the private sector through its investment arm - the Botswana Development Corporation, which was established in 1970 (Air Botswana, 2003). The resultants business creations emanating from these steps, more so the development of parastatals, made the government a dominant (or leading) player in the economy as well as the major employer in the country. Like elsewhere in the continent, parastatals in Botswana are organizations established by Acts of Parliament the ownership and funding of which is entirely a business of government; the government is the sole shareholder. They are expected to discharge functions such as major infrastructure developments and the delivery of utilities like power, water, and telecommunications.

As the public sector continued to grow in Botswana, its efficiency and long-term sustainability in the economy began to be questioned (Botswana Government, 1998). Concern was also emerging as to whether the large public sector could be detrimental to the emergence of a vibrant, active and efficient private sector in the country. This set the stage for the adoption of privatization in the country. The process of privatization in Botswana is, nevertheless, a relatively recent development. Although the government developed a privatization policy in 2000, the privatization movement did not gain momentum until 2002 after the establishment the Public Enterprise Evaluation and Privatization Agency (PEEPA) in 2001 (Botswana Government, 2004). According to Botswana's privatization policy, as the economy changes, so should the role of government. The public sector will progressively diminish its role in the provision of marketable goods and services and will rather seek to facilitate and where necessary, regulate the operation of business by the private sector (Botswana Government, 2000).

Botswana's position with respect to privatization, it must be underlined, is somewhat different from that of most countries. Here the government adopted privatization more as a pragmatic, deliberate action to improve efficiencies in the delivery of services by state owned enterprises (SOEs), 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 (Tsayang, 2000; Air Botswana, 2003; Botswana Government, 2004). Unlike in most other African countries, here pressure from external sources such as international financial institutions like the IMF and the WB played no role. The government had not been obliged to enter into any stabilization or structural adjustment agreements with such institutions and therefore initiated reform through privatization voluntarily.

2.4.1 Role of PEEPA

The Public Enterprise Evaluation and Privatization Agency (PEEPA) was established in 2001 with a mandate to implement the Privatization Policy for Botswana. Its principal responsibilities were specified as follows: Prepare a Master Plan that would serve as a blueprint for the country's privatization process, identify candidates for privatization and commercialization, and later to oversee all aspects of the implementation of privatization and effective evaluation and monitoring of the performance of public enterprises, commonly known as parastatals (Botswana Government, 2000). The agency was also tasked with advising government on the appointment of the directors of SOEs as well as with monitoring performance of those directors, hiring and supervising consultants on privatization and performance evaluation, and with developing and executing a public education programme. PEEPA presented its initial Privatization Plan for the country to Parliament in April 2003. The plan identified 26 SOEs that were considered suitable candidates for privatization; Botswana Telecommunications Corporation (BTC) and a possible merger between the National Development Bank and the Botswana Savings Bank were seen as the most likely pioneers of the process (Botswana Government, 2005).

To assist with the identification of candidates for privatization, PEEPA has devised a privatization decision grid which groups privatization candidates into four categories (Botswana Government, 2005). In Quadrant A are found SOEs that are suitable for immediate divestiture or contracting out. These are high-ranking candidates with ease of privatization desirability under current conditions. In many cases they offer services whose provision the private sector has relative advantage over the government. Quadrant B groups enterprises that require restructuring prior to divestiture. The category is for candidates that are desirable to privatize but are difficult in their current forms. Thus, they would require restructuring and/or legal and regulatory participation (Botswana Government, 2005). Quadrants C, on the other hand, groups SOEs which should be commercialized and consider for future privatization. These are activities and candidates which are feasible, but the benefits of private sector participation are likely to be less evident than in the case of other candidates. As such, they require commercialization to bring them closer to the market conditions. Finally Quadrant D comprises those enterprises whose performance must be monitored before being put up for privatization. The category is for those organizations that are both undesirable under current conditions, and are unattractive to the private sector (Botswana Government, 2005).

2.4.2 Challenges to Privatization in Botswana

The success of privatization in Botswana is contingent upon a number of factors. These include a strong political commitment to policy implementation, an approved legal framework with a cordial regulatory system, an effective supervisory authority, reformed management systems, explanation of the potential benefits (and costs) of such reforms to the general public, and full transparency in all privatization actions (Botswana Government, 2000, 2002). However, a closer look at the situation in Botswana reveals that, unlike in many Commonwealth countries, privatization is not yet based on any legislation. As a consequence, PEEPA does not have the legal backing to facilitate the smooth implementation of privatization in the country. To a large degree, the agency depends on the voluntary willingness and goodwill of the stakeholders for it to make progress in pursuing the objective to privatize SOEs (Botswana Government, 2000). At present public enterprises in Botswana are established through Acts of Parliament, making them statutory organizations in their own right. This does not provide for privatization as envisioned in the recent Privatization Policy of 2000 (Botswana Government, 2000). Thus, there is an urgent need for legislation to aid PEEPA in moving the privatization process forward. To date the process has been slow, with far reaching implications and ramifications for the future.

2.5 The Case of Air Botswana

Although Air Botswana was established in 1980, it was not until 1988 that it became a full parastatal entity under the Ministry of Works, Transport and Communications (http://www.airbotswana.co.bw/content). Initially, the airline operated unprofitably under different names, entirely dependent on government support and outside expertise. However, in recognition of the importance of air transport to the development of the national economy as well as the promotion of the tourism industry, in April 1988 the government, through an Act of Parliament, established the Air Botswana Corporation, giving the airline full parastatal status (http://www.airbotswana.co.bw/content). As a national airline its mandate is the provision, operation, and management of air transport services. In 1993, following the failure of regional cooperation in the airline industry, Air Botswana, regrettably was forced to scale down its operations, reduce its network, and concentrate on profitable routes to avoid making substantive losses (Air Botswana 2004). In 1994 the government issued an ultimatum for the airline to either improve its financial performance or face prospects of closure, as the operations were drastically economically unsustainable (Tsayang, 2000). This was followed by a major financial restructuring of the company during 1994/95 which was aimed at paving the way for its privatization. A transition from pubic to private ownership had been anticipated at the airline since March 1997 when the Board approved the privatization strategy, followed in August of that year by government's acceptance of the program.

Air Botswana embraced privatization from the onset. It entered the exercise with commitment and enthusiasm, accepting the challenges of its pioneering role, confident of and determined to contribute fully to a successful outcome. The airline was convinced that privatization was in its long-term best interests, resulting in substantial benefits for its operations and its staff and for its future Batswana stakeholders (Air Botswana, 2003). After the government of Botswana took a decision to privatize the national airline, the process to develop a strategy to operationalize the decision was embarked upon. The strategy then was that a strategic partner would be solicited (Air

Botswana, 2003). The understanding was that the strategic partner should not only bring "buying capital" but should also come up with restructuring strategies that may position Air Botswana strategically to be a performing, competitive and sustainable national carrier with good image not only for itself, but for the country as well (Air Botswana, 2003). The management of Air Botswana was also fully instructed to ensure that the privatization drive and its momentum is cultivated, maintained and upheld by all employees of the company. However, the privatization initiative the airline stalled (Air Botswana, 2003).

Although it is not very clear exactly what went wrong with the "advanced" process to privatize Air Botswana, there are a number of possible factors that might have occasioned the delays in the initial process of privatizing the airline. First, the lack of properly identifying a "strategic partner" to match the government of Botswana requirements stalled the whole process from the onset. Com Air, the identified strategic partners in the privatization process withdrew at the last minute, setting the whole anticipated process far behind (Air Botswana, 2003). Also, at the national level there was the perceived notion that privatization was going to take away jobs from the locals and perhaps replace them with better "qualified" nationals from elsewhere (Air Botswana, 2004). This created fear to the extent that labor movements in the country mobilized support to counter the process. The situation was further complicated by a general depression (or slow down) affecting the aviation industry as a whole then, mainly as a result of high prices of aviation fuel, the effects of recession in the world economy, the effects of the 'open skies', and the September 11, 2001 terrorists attacks in the United States of America, among others (Air Botswana, 2003).

Despite the failed initial attempts to privatize Air Botswana, PEEPA considers the airline to be both a desirable and suitable candidate for privatization. This is determined from its privatization quadrant that considers all state owned enterprises' readiness for privatization, and the length of time required to reach that goal. The agency deems it fit for the process to move on. In addition, there is consensus among stakeholders and participants that the privatization of the airline is still a noble objective that should be pursued (Air Botswana, 2003). Preliminary discussions held with management of Air Botswana in preparation for this study also revealed that there is commitment in reviving the privatization process.

CHAPTER THREE

METHODOLOGY

This chapter describes the procedures that were utilized to collect the data analyzed in this study to evaluate the process of privatization of Air Botswana. It commences with a presentation of descriptive profiles of the research site and units of analysis. This is followed by the study sample and selection procedures, the methods of data collection, the response rate, the data analysis techniques, ethical considerations, and limitations of the study.

3.1 The Site of the Study and Units of Analysis

This study was carried out in Botswana; a landlocked country located in Southern Africa. The country shares borders with Zambia to the north, Zimbabwe to the northeast, South Africa to the south and east, and Namibia to the west. It has a land area of 582,000 square kilometers and a population of 1.7 million people (Central Statistics Office, 2003). The specific sites for the study were Air Botswana, the Botswana National Productivity Centre (BNPC), and the Ministry of Works and Transport while the units for the study were management and staff in the three study sites. The three organizations were selected purposely for the study because they were considered to be suitable sites. While Air Botswana was included on account of being the locus of the study, the BNPC was featured because it is the government institution with the mandate to oversee the improvements of productivity in the country. Given that privatization is an avenue for improving efficiency, it was thought that the BNPC would definitely be interested in the process and employees in the organizations are likely to have a good understanding of it. On the other hand, the Ministry of Works and Transport was selected because it is Air Botswana's parent Ministry and thus a key stakeholder in the privatization of the airline.

Air Botswana Corporation was established through an Act of Parliament in 1988 as a full parastatal entity, under the Ministry of Works, Transport and Communications, (http://www.airbotswana.co.bw/content) to provide air services on a commercial basis in the country. However, the airline had been in existence since 1980 during which time it operated unprofitably under different names and was entirely dependent on government support and outside expertise. As a Parastatal, the corporation operates under a Board of Directors reporting to the Ministry of Works and Transport. Currently the Government is a 100 percent shareholder and the Chairman is appointed by the Minister of Works and Transport. Air Botswana is headquartered at the Sir Seretse Khama International Airport, Gaborone. The airline provides domestic services between Francistown, Maun and Kasane and on regional routes including Gaborone-Johannesburg, Gaborone-Harare, Johannesburg-Maun, and Johannesburg-Kasane and Victoria Falls. It has sales offices in Gaborone, Francistown, Maun, Kasane, Johannesburg and Harare as well as general sales agents in Britain, France, the United States, Canada, Australia and Kenya, who sell its services on a commission basis. Air Botswana offers a suitable site for the study because the corporation is not only one out of a total of twenty-seven listed Parastatals in Botswana that are considered suitable candidates for privatization but has also been a pilot case of privatization in the country for sometime now.

Like Air Botswana, the BNPC was established through an Act of Parliament in December 1993 as a Parastatal with a tripartite board comprising of representatives from government, employers' and workers' organizations together with a few stakeholders (http://www.bnpc.bw/index.php?sectid=246). The statutory mandate of the BNPC is to enhance the level of productivity awareness as an advocacy function and to enable individuals and organizations through training and consulting to be productive and competitive. The enablement process involves assisting organizations to adopt best management practices through productivity enhancing tools and techniques. The BNPC is mandated to stimulate and generate productivity consciousness in Botswana, promote increased productivity in all sectors of the economy, improve and develop standards of management in all aspects and at all levels, promote good labour management relations, and to foster equitable productivity gain sharing between management, workers and consumers (http://www.bnpc.bw/index.php?sectid=246).

The Ministry of Works and Transport plays a critical role in the development of Botswana through the provision of adequate civil works and transport infrastructure (http://www.gov.bw/government/ministry_of_works_transport_and_communications.html). Its main objective is to provide a sound and balanced buildings and transport infrastructure. This is a necessary requisite for sustainable socio-economic development because it facilitates the implementation of development in other sectors of the economy in different parts of the country. The ministry has six Departments headed by Directors and two parastatals headed by Chief Executives. The Departments include Roads, Transport and Road Safety, Civil Aviation, Central Transport Organization (CTO), Architecture and Building Services, Electrical and Mechanical Services while the two parastatals are Air Botswana and Botswana Railways.

3.2 Sample Selection Procedures

This study utilized a sample of 50 respondents selected from Air Botswana, the Botswana National Productivity Centre (BNPC), and Ministry of Works and Transport. The respondents were distributed across the three organizations as follows Air Botswana - 25 respondents, BNPC - 15 respondents, and Ministry of Works and Transport - 10 respondents. To select the desired respondents the research relied on non-probability sampling techniques. This was necessitated by the fact that an initial reconnaissance survey of the three organizations revealed significant reluctance on the part of employees to participate in the survey. This made it virtually impossible to rely on conventional probability sampling techniques despite the availability of sufficient information about the population in the various organizations that could facilitate the construction of a sampling frame on which to anchor the selection process.

The researcher relied on the snowball sampling technique to select those interviewed for the study. This involved the researcher initially contacting a few potential respondents and then asking them to point her to other employees who could be interviewed for the study (Galloway, 1997). The major advantage of using snowball sampling was that, given the limited budget available to the researcher and the reluctance among employees to participate in the study, the method dramatically lowered research costs for respondents as well as reduced the length of time used to conduct the study. The method however, has some disadvantages that undermined the results of the study. For instance, the sample was not entirely representative of the population. Also, by relying on referrals, it is possible that friends referred the researcher to their friends only. This, no doubt, introduced an element of bias.

3.3 Data Collection Techniques

To collect most of the data utilized for this study, a structured self-administered questionnaire was used. The questionnaires gathered information about the socio-economic backgrounds of the respondents, their knowledge about and attitudes towards the process of privatization as well as their assessment of the level of commitment among management in Air Botswana to the privatization of the corporation and the major challenges facing the process (see Appendix I). The structured questionnaire was preferred because it has the advantage of being cheaper (Jankowicz, 2000) and the ability of "yielding a large amount of information about a given population ready for codification and analysis" (Strati, 2000:147). In addition, where self-administered, it allows for the respondents to answer questions without pressure from the researcher and in a relaxed and private atmosphere.

A pre-test of the research questionnaire was conducted one month prior to the administration of the surveys to the study respondents utilizing a group of 8 individuals (4 females and 4 males) drawn from Air Botswana but who were not featured in the study. Care was taken to ensure that those involved reflected the major characteristics of those to be studied in the three research sites. The pilot study was undertaken as a precautionary measure before the main interviews were conducted. Through it, the researcher was able to establish whether the research questionnaire items possessed the desired qualities to realize the data required for the study. Information from the pilot study allowed the researcher to assess the relevance, accuracy, and clarity of question items and the ease of respondents' understanding of the question items. It also enabled her to minimize response bias, ensure that the questionnaire was exhaustive, and to assess the time needed to administer the questionnaire. A major concern expressed during the interviews with the 8 respondents utilized for the pilot study pertained to the clarity of information sought by the study questionnaire. Thus, the revision of the questionnaire mainly involved adjusting items that were considered to be unclear so as to improve its quality.

To supplement data collected through surveys informal interviews were held with four key informants. These included in a top official in the Ministry of Works and Transport who offered the government position on the subject, two members of parliament from the ruling Botswana Democratic Party (BDP), and one trade unionist allied to the Amalgamated Manual Workers' Union.

3.4 Data Collection

The actual data collection involved the researcher hand delivering questionnaires to the respondents. During that time, she seized the opportunity to reinforce verbally the objectives of the study as well as to underline the importance of the respondents' cooperation. The data collection covered a period of three weeks. During that time the researcher identified potential respondents in the three participating organizations and distributed them with the questionnaire. Prior to handing over the surveys to each respondent, the researcher explained the purpose of the study to him/her and gave him/her an opportunity to seek further clarifications about the study in general and the questionnaire in particular, as well as to ask any other burning questions he/she might have had.

To minimize the rate of non-response as well as speed up the exercise, respondents were requested to complete the questionnaire the same day. Where a respondent was unable to complete the survey immediately it was handed to him/her, he/she was allowed up to one week to do so. At the end of this period the researcher went around collecting all completed surveys. In cases where the respondents had not completed the questionnaire within the one-week duration allowed, a further four days was allowed to enable them to do so. In addition, where a respondent reported having misplaced the questionnaire a new one was supplied. At the end of the four-day period, the researcher ruled that any respondents who had not completed the survey then was a reluctant participant and therefore not willing to participate in the study. Where necessary, a replacement respondent who was willing to participate in the study was selected and distributed with the survey. The process went on until the sample of 50 respondents desired for the study was attained.

3.5 Data Analysis Methods

The data realized by the study were analyzed utilizing the SPSS-PC quantitative data analysis software. The analysis was mainly descriptive and entailed the computation and utilization of descriptive statistics especially frequency distributions, percentages and means. These were used to construct a descriptive profile of the study sample and to depict the respondents' understanding of and attitudes towards the privatization process in general and the privatization of Air Botswana in particular. Where possible, data presentation was enhanced through the use of tables.

3.6 Ethical Issues

There are a number of conditions that must be met for a study to be considered ethical. First, the study must not cause any harm to its respondents. Based on the topic and nature of information required for this study, this study could be judged to have been sensitive with political connotations. Because of this it was necessary for the research to guard against possible retribution or even victimization of respondents. This was achieved by guaranteeing the anonymity of all respondents in two ways. First, no names or any information that could be used to identify particular respondents was employed in reporting the research findings and all surveys were destroyed at the end of the study. Second, answers to all questions were kept completely confidential. No responses from a particular respondent were analyzed and used separately. Instead responses were used only in combination with the responses from other participants.

A second ethical consideration is that the respondent's participation is voluntary. This was ensured by informing the respondents of their right to voluntary participation at the beginning of the interview. Voluntary participation was also guaranteed through the use of snowball sampling to select the respondents for the study. Furthermore, the respondents were also informed about the objectives of the study and what the information was to be used for. Finally, it should be observed that permission to carry out the study was sought from all organizations from which informants were drawn. Letters of clearance were received from the management of Air Botswana, BNPC, and the Ministry of Works and Transport. These were provided on the understanding that the investigation shall be governed by ethics and that the findings would not be damaging to the organizations themselves or their employees who acted as informants.

3.7 Limitations of the Study

Three major factors – resources, reluctance of respondents to divulge information, and the size of the sample analyzed - undermine the quality of the results realized by this study. With respect to resources, time and cost were a major factor impacting on the progress of this study as well as affecting the quality of data realized. The study was self sponsored and the financial burden of executing it rested with the researcher. This meant that only a limited amount of finances were available for the execution of the study. On the other hand, the researcher, being a full time employee, had to balance between the demands of the job and those of carrying out the study. As such, not enough time was allocated for the research to allow for in-depth analysis of the subject under review.

The second major limitation of the study was associated with the acquisition of the information from the respondents targeted by the study. Because of the sensitivity of the subject involved most interviewees were reluctant to openly share their views openly because they considered this to be highly confidential and also to have political implications. Thus, the time required for scheduling and conducting all the interviews proved longer than originally estimated. In addition, it was difficult to get the questionnaires back from the participants in time and extra time had to be given to most respondents. This introduced an element of bias; one can even question the quality of data provided by the respondents given their reluctance to do so. The final problem affecting the quality of our study was the size of sample analyzed. Due to time and resource limitations, the study utilized a relatively small sample of 50 respondents. This undermined the generalizability of its findings since the results may not necessarily hold true for all privatization situations in Botswana as a whole.

CHAPTER FOUR

FINDINGS

This chapter presents the findings of the study. It is organized into four sections. The first section presents the background characteristics of respondents while section two presents the results for management and employee understanding of and attitudes towards privatization in general. In section three we focus on the respondents' views about privatization in Botswana. Views about the privatization of Air Botswana are profiled in section four. These include a discussion of the level of commitment by management to the process as well as the major challenges facing the process.

4.1 Respondents' Background Characteristics

As indicated earlier, most of the data utilized for this study were collected through surveys administered to a total of 50 respondents. While 25 (50.0 percent) of these were drawn from Air Botswana, 15 (30.0 percent) originated from the Botswana National Productivity Center (BNPC), and the remaining 10 (20.0 percent) from the Ministry of Works and Transport. Those interviewed for the study included 26 (52.0 percent) females and 24 (48.0) males. Their ages ranged from 31 to 59 years with a mean age of 42.2 years; the standard deviation was 6.3 years. Table 1 presents the distribution of respondents by age group. Based on the table, 38.0 percent of these respondents were aged 40 and below years while 52.0 percent fell within the 41 to 50 years age bracket. The remaining 10.0 percent included those aged above 50 years. The distribution of the respondents by age group shows that all those interviewed were mature Batswana citizens.

The results showed that 60.0 percent of respondents were married whereas 28.0 percent were single (never married). The remaining 4.0 percent, 6.0 percent and 2.0 percent reported that they were co habiting, divorced or widowed, respectively. Concerning educational attainment, the study found that the interviewees held varied qualifications ranging from primary school certificates to Masters Degree certificates. However, the majority (54.0 percent) had attained a Bachelor's Degree and above. More specifically, only 2.0 percent and 6.0 percent of the respondents held primary and secondary level qualifications, respectively. The remainder included 38.0 percent who had College Diplomas, 24.0 percent who held Bachelor's Degrees, and 30.0 percent who had attained Masters Degrees. The results showed that the respondents' gross monthly income fell between Botswana Pula (BWP) 4 709.00 and 23 600.00; the mean monthly pay was BWP 12 419.34 with a standards deviation of BWP 4 892.64. However, only 33 respondents (66.0 percent volunteered information about their monthly income.

Table 1: <u>Distribution of Respondents by Age Group</u>

Age Group	**Number**	**Percent**
31-35	8	16.0
36-40	11	22.0
41-45	16	32.0
46-50	10	20.0
51 and above	5	10.0
Total	**50**	**100.0**

The respondents held a wide cross-section of positions in the organizations they were working for. These included accountants, managers, auditors, permanent secretaries, consultants and engineers. The length of time the interviewees had been working ranged from 6 to 36 years; the mean was 17.3 years with a standard deviation of 6.8 years. Table 2 presents the distribution of the respondents by length of time they had been working. As evident from the Table, 18.0 percent of them had been working for 10 years and below while 60.0 percent had been in employment for periods ranging from 11 to 20 years. The remaining 26.0 percent and 6 percent included those who had been working for periods ranging from 21 to 30 years and for greater than 30 years, respectively. Results for tenure (or length of time one had been working with the current employer) showed that this ranged from 1 to 22 years; the mean tenure was 10.5 years with a standard deviation of 5.9 years. While 22.0 percent reported tenure periods ranging from 1 to 5 years, 32.0 percent, 30.0 percent and 14.0 percent had worked for periods ranging between 6 and 10 years, 11 to 15 years, 16 to 20 years, respectively. The remaining 2.0 percent had served with their current employer for a period exceeding 20 years.

Table 2: Distribution of Respondents by Length of Time Working

Years Working	Frequency	Percent
6 to 10 Years	9	18.0
11 to 15 Years	13	26.0
16 to 20 Years	17	34.0
21 to 25 Years	5	10.0
26 to 30 Years	3	6.0
Above 30 Years	3	6.0
Total	**50**	**100.0**

Asked to indicate how many times they had been promoted since joining their current employer, 50.0 percent of the informants reported that they had never been promoted while 20.0 percent, 12.0 percent and 8.0 percent indicated that they had been promoted once, twice and thrice respectively. The remaining 10.0 percent included those who had been promoted 4 times and above. The final background information sought by the study concerned the number of employees falling under the direct supervision of each respondent. Of the 50 interviewees 21 (42.0 percent) reported that they supervised no employees at all, 16 (32.0 percent) said they supervised 1 to 5 employees, 6 (12.0 percent) were 6 to 10 employees, and 6 (12.0 percent) had 11 to 20 individuals working directly under them. Only 2.0 percent were supervising more than 20 employees.

4.2 Level of Knowledge about and Attitude towards Privatization

For ease of presentation, the respondents' level of knowledge about and attitudes towards privatization are broken down into four dimensions. That is, meaning and functions of privatization, the rationale for privatization, major concerns about privatization, and steps for improving the implementation of the privatization.

4.2.1 Meaning and Functions of Privatization

Those interviewed for this study were asked to indicate what they understood by the process. The results showed that two closely related meanings of the concept were held by the majority of the respondents. For 46.0 percent of them privatization meant 'the transfer of management from government to the private sector' whereas for 42.0 percent it stood for 'the transfer of property (assets) from public to private ownership'. Other less popularly held meanings included that privatization was 'a public reform made to improve enterprise efficiency' (10.0 percent) and that it was 'something the government does to reduce the public sector' (2.0 percent). The majority (80.0 percent) of the respondents indicated that they supported privatization compared to 10.0 percent who said they were opposed to it. The remaining 10.0 percent included those who said that they did not know whether or not they supported the process. Of those interviewed 76.0 percent held the view that state owned or public enterprises were less profitable/made losses compared to private enterprises. While 16.0 percent considered public enterprises to be more profitable than private ones, 8.0 percent held the view that firms in both sectors were equally profitable.

Those interviewed differed in terms of what they considered to be the best practice. While 10.0 percent preferred leaving the delivery of government services to the government (no privatization at all), 26.0 percent supported the privatization of most government services. The remaining 36.0 percent and 28.0 percent, respectively, preferred a process which balanced public and private companies in the provision of services or favored the privatization of a few selected government services only. Based on the interviewees, the process of privatization served a number of functions. Table 3 presents a listing of these. As evident from the Table, with some respondents listing more than one function, the most popular function was 'to improve service delivery'; it was offered by 66.0 percent of the study subjects. This was followed by 'to reduce government involvement in industry and commerce' (58.0 percent) and 'to make economies more competitive' (56.0 percent). Other functions identified by the respondents included 'to reduce debts and losses incurred by the government' (18.0 percent) and 'to streamline loss making enterprises in the public sector' (16.0 percent).

Table 3: The Functions of Privatization

Function	**Frequency**	**Percent**
To improve service delivery	33	66.0
To reduce government involvement in industry and commerce	29	58.0
To make economies more competitive	28	56.0
To reduce debts and losses incurred by the government	9	18.0
To streamline loss making enterprises in the public sector	8	16.0

Note: Do not total to 100; respondents gave more than one function [N= 50]

4.2.2 The Rational for Privatization

Asked to indicate why many sub-Saharan African countries adopted privatization especially in the 1980 and the 1990s, the interviewees offered a variety of explanations. With some respondents offering more than one explanation, 78.0 percent posited that African countries embraced privatization due to 'pressure from international financial institutions and donor agencies' while 32.0 percent felt that the decision was occasioned by the 'desire to increase the vitality of the private sector'. Other explanations included 'persistent budget deficits' (32.0 percent), 'mounting external debts' (18.0 percent), and to reduce fiscal demands (16.0 percent). The study also sought the respondents' views concerning how most countries rationalized the adoption of the privatization movement. Again with most respondents advancing more than one justification, 88.0 percent of them felt that countries embraced privatization believing that it increases productivity and efficiency in the delivery of essential services. Another 48.0 percent, 42.0 percent, and 36.0 percent, respectively, felt that governments adopted privatization reasoning that ‘it allows market forces to stimulate the economy’, ‘it provides widespread share ownership’, and that ‘it speeds up the development of the capital markets’. A final rationale, offered by 18.0 percent of the respondents, was that privatization ‘increases the diversity of available goods and services’.

4.2.3 Major Concerns about Privatization

Out of the 50 respondents interviewed for this study, 62.0 percent indicated that when it comes to the privatization of government services their greatest concern was people losing their jobs. Other concerns expressed by the respondents included ‘maintaining fair and equal services to people who need them most’ (24.0 percent), ‘maintaining accountability and executing the process in a transparent manner’ (22.0 percent), ‘maintaining efficiency in the provision of services’ (12.0 percent), and ‘maintaining financial prudence’. In line with these concerns, the respondents identified a number of possible negative outcomes of the privatization process. Table 4 presents a rank ordering of these based on the number of respondents identifying them. As evident from the Table, the topmost negative outcome of privatization was ‘increases in job losses’ which was fronted by 70.0 percent of the interviewees. This was followed by ‘greater interest on profit maximization as opposed to the interests of the community’ (54.0 percent), ‘creation of private sector monopolies’ (42.0 percent), and ‘concentration of wealth in a minority few’ (30.0 percent). Other outcomes supported by more than 20.0 percent of the respondents included ‘loss of government control of essential services’ (28.0 percent), ‘higher prices (22.0 percent), and ‘deprives the poor of essential services’ (22.0 percent).

Table 4: Perceived Negative Outcomes of Privatization

Negative Outcomes	Frequency	Percentage
Increased job losses	35	70.0
There is more interest on profit maximization as opposed to the interests of the community	27	54.0
Creates private sector monopolies	21	42.0
Leads to the concentration of wealth in a minority few	15	30.0
Government loss of control of essential services	14	28.0
Leads to higher prices	11	22.0
Deprives the poor of essential services	11	22.0
Leads to reduction in wages	3	6.0
Reduces efficiency in the provision of services	2	4.0

Note: Does not total to 100 percent; respondents gave more than one response; [N= 50]

4.2.4 Steps for Improving Implementation of Privatization

The interviewees were also asked to suggest ways that governments and other stakeholders could use to improve the implementation of privatization. Table 5 presents a ranked ordering of these suggestions based on the number of respondents supporting them. Based on the Table, seven steps were offered by the respondents. The top five preferred steps included 'to educate and inform the public about privation' (58.0 percent), 'implement privatization in phases' (46.0 percent), 'review labor laws to

Table 5: Steps for Improving the Implementation of Privatization

Negative Outcomes	Frequency	Percentage
Educate and inform the public about privatization	29	58.0
Implement privatization in phases	23	46.0
Review labor laws to avoid abuse of workers during privatization	17	34.0
Ensure public economic empowerment through loan schemes	16	32.0
Only privatize entities that are an economic liability	15	30.0
Promote partnerships with the private sector	14	28.0
Carry out economic policy review to ensure tax reduction	5	10.0

Note: Does not total to 100 percent; respondents gave more than one response; [N= 50]

avoid abuse of workers during privatization' (34.0 percent), 'ensure public economic empowerment through loan schemes' (32.0 percent), and 'only privatize entities that are an economic liability' (30.0 percent).

4.3 Perceptions about Privatization in Botswana

Consistent with the trends obtained for the support of privatization in general, 86.0 percent of those interviewed for this study responded in the affirmative when asked whether Botswana needed privatization; the remaining 14.0 percent felt that privatization was not necessary in the country. The 43 respondents who considered privatization to be necessary for Botswana advanced a variety of reasons to explain their stance. With most of them offering more than one explanation, 88.4 percent indicated that the process was required to improve efficiency in service delivery whereas 46.5 percent felt that it would arrest the poor performance of public sector enterprises. Other justifications provided by the interviewees were that privatization would create opportunity for private sector growth (44.2 percent) and that it would curb government monopoly of public sector enterprises (37.2 percent). On the other hand, the few respondents who opined that Botswana did not need privatization offered a number of reasons to support their stance. According to them the process was unnecessary because the majority of the population in Botswana is dependent on the public sector, public sector enterprises in the country are performing satisfactorily, service delivery by the public sector is efficient, and Botswana, unlike most other African countries, does not suffer from a debt burden.

Asked to indicate the privatization strategy they would recommend for Botswana, only 6.0 of the study subjects said none. Whereas 6.0 percent recommended a full-blown planned privatization, 48.0 percent preferred starting with partial/piecemeal privatization. The remaining 40.0 percent favored the widening of share ownership so that employees can acquire a stake in privatized public enterprises. The two ordinary members of parliament interviewed as key informants expressed a cautionary approach to the privatization process in Botswana. According to them a case-by-case and step-by-step strategy - that recognizes that the State Owned Enterprises are different and address varied contemporary needs of the members of our society - was required. The parliamentarians emphasized that, unlike in many other African countries, the privatization initiative in Botswana is not driven by the push by external forces such as the International Monetary Fund (IMF) or the World Bank (WB) for major economic reforms. They argued that, since the process was internally driven with in-country policy and objectives, greater public involvement was necessary and a progressive implementation strategy with concern for the protection of the "rights of citizens" should be embraced.

Concerning the responsibility for decision making about the privatization, 52.0 percent of the interviewees felt that it should be vested with the public while 20.0 percent preferred consultants. The remaining 18.0 percent and 10 percent, respectively, held the view that privatization decisions should be made by politicians, particularly cabinet ministers or by the managers and directors of the public enterprises affected. Those interviewed for the study were also asked to indicate type of privatization they would recommend for Botswana. The results produced a wide variety of types of privatization that Botswana could adopt. The most popular approach emerging from the study was share sales and was recommended by 36.0 percent of the study subjects while the least popular was auctions preferred by only 2.0 percent of the respondents. Other types of privatization that were suggested for possible adoption in Botswana included joint ventures between public and private sectors (32.0 percent), stock market floatation to sell government controlled enterprises and services (18.0 percent), introducing new competitors/new investors (8.0 percent), and trade sales (4.0 percent).

4.4 <u>The Privatization of Air Botswana</u>

To provide a suitable preamble to the analysis of the privatization of Air Botswana, the interviewees were asked to rate the airlines overall performance as the services it provided. The results showed that 36.0 percent rated the company's performance satisfactory whereas 44.0 percent considered it to be unsatisfactory; the remaining 20.0 percent were not sure about the rating. Concerning the quality of services provided by Air Botswana, the study found that 10.0 percent considered it to be excellent, 18.0 percent though it was very good, and 44.0 percent rated it as good. The remaining 18.0 percent and 10.0 percent rated Air Botswana's service provision as poor or very poor, respectively.

Turning specifically to the privatization of Air Botswana 68.0 percent of the respondents considered mainly an economic motive to have been behind the decision by government to privatize the airline. However, 14.0 percent attributed a political motive, 12.0 percent a fiscal motive, and 6.0 percent a social motive behind the move. According to the respondents, a number of specific reasons promoted the need to privatize the company. As evident from Table 6, the three top factors were 'to promote economic growth' (50.0 percent), followed by 'to reduce the role of the state in the economy so that it can concentrate in governing' (46.0 percent), and 'to generate new investments including foreign investments' (28.0 percent).

Table 6: **Reasons that Promoted the Privatization of Air Botswana**

Reason	**Frequency**	**Percentage**
To promote economic growth	25	50.0
To reduce the role of the state in the economy so that it can concentrate on governing	23	46.0
To generate new investments including foreign investments	14	28.0
To reduce debts	13	26.0
To spread and democratize share ownership	9	18.0
To mobilize domestic resources for development	5	10.0

Note: Does not total to 100 percent; respondents gave more than one response; [N= 50]

Based on the subjects of this study, three basic techniques have been applied to the privatization of Air Botswana. These are share issuing privatization (SIP) - fronted by 68.0 percent of the interviewees, offering of stocks to employees at below market price - identified by 22.0 percent, and asset sales and voucher or just privatization - singled out by 10.0 percent of the study subjects. Although the respondents supported the view that the withdrawal of Com Air as a potential buyer played a major role in the failed privatization of Air Botswana, they advanced other reasons that they considered to be important for the total understanding of the issue. As evident from Table 7, first on the list was the 'lack of adequate strategic partners' which was offered by 56.0 percent of the interviewees. This was followed by 'reluctance on the part of the private sector to get involved as buyers (50.0 percent), 'lack of adequate assets to attract potential partners or buyers' (34.0 percent), 'lack of government commitment to the process' (30.0 percent), and 'change in the top leadership of the organization' (30.0 percent). Other factors identified by the respondents included 'embryonic state of the private sector in Botswana' (26.0 percent), 'lack of proper assistance and direction from PEEPA' (14.0 percent), and 'the aftermath of September 11 and other terror attacks'

Table 7: Factors Responsible for the Failed Privatization of Air Botswana

Reason	**Frequency**	**Percentage**
Lack of adequate strategic partners	28	56.0
Reluctance on the part of the private sector to get involved as buyers	25	50.0
Lack of adequate assets to attract potential partners or buyers	17	34.0
Lack of government commitment to the process	15	30.0
Change in the top leadership of the organization	15	30.0
The embryonic state of the private sector in Botswana	14	26.0
Lack of proper assistance and direction from PEEPA	7	14.0
The aftermath of September 11 and other terror attacks	6	12.0

Note: Does not total to 100 percent; respondents gave more than one response; [N= 50]

(12.0 percent). To these factors one may also wish to add the 'low level of commitment among management to the initial privatization of the airline. Only 44.0 percent of our respondents rated management then as very committed to the task of privatizing Air Botswana compared to the 56.0 percent who expressed the converse view.

4.4.1 Views about the Revival of the Privatization of Air Botswana

As indicated earlier, Air Botswana is a typical example of failed privatization in the country. This study sought to establish the level of support for the revival of the privatization of the airline. The overwhelming majority (84.0 percent) of the respondents favoured a continuation of the privatization of Air Botswana compared to the 16.0 percent who felt that it should be halted. Indeed, 78.0 percent of the interviewees felt that the privatization of the airline was currently a major subject of consideration by the Executive Management of the company. Informal interviews with a former General Manager and a former Finance Manager of Air Botswana also underline the good will and support that exists in the country for the privatization of the airline. Both expressed their support the proposed revival of the privatization of Air Botswana. They felt that privatizing the airline would facilitate easy decision-making, cut down the long bureaucratic chain of reporting, and help the airline in turning around the work culture and in accessing capital.

Based on a top government official in the Ministry of Works and Transport interviewed as a key informant for this study, the current commitment by management to revive the privatization of Air Botswana is a reflection of the Ministry of Works and Transport, and indeed, the Government of Botswana's commitment to the privatization of the airline. This is consistent with an article entitled 'Air Botswana Sale Back on the Cards' appearing in *The Botswana Guardian* Newspaper of April 27, 2006, in which the Chairman of the Board of Directors of Air Botswana was quoted as saying that Cabinet has asked Air Botswana Board members to revive its stalled privatization programme of the national airline and not just focus on replenishing its malfunctioning fleet. The

Board chairman revealed that there was a renewed interest in the airline coming mainly from airline operators and other prospective investors both from southern Africa and overseas. He also revealed that the Ministry of Works and Transport jointly with PEEPA was evaluating these enquiries along with other proposals. The PEEPA Chief Executive Officer corroborated this; he indicated that efforts were underway to accelerate the pace of privatization of Air Botswana mainly because of operational difficulties and government desire to get a solution to renew the fleet. According to him, PEEPA was trying to fast-track the identification of suitable partners to assist Air Botswana overcome the current operational difficulties (The Botswana Guardian, April 27, 2006)

Concerning the option that the renewed privatization of Air Botswana should take, 58.0 percent of the interviewees recommended the conversion of the airline into a fully pledged private company while 22.0 percent favored the selling of shares to employees and the public. The remaining 20.0 percent preferred outright sale of the airline to the general public as an auction sale. The recommendation by 22.0 percent of the respondents for a privatization approach which emphasized selling of shares to employees was consistent with the views expressed by the top government official from the Ministry of Works and Transport, who acted as a key informant for the study. According to him, "it is our wish that Batswana become corporate partners in companies such as Air Botswana, Botswana Telecommunications Corporation, and others as they become available for privatization". Government also believes that there has to be public education and awareness creation to overcome issues of lack of participation in buying shares and also to remove any perceived political fears including job losses.

Those interviewed identified a number of benefits that would accrue from the privatization of Air Botswana. With respondents giving more than one benefit, 70.0 percent reported that the process would improve efficiency and effectiveness of the airline, 68.0 percent said that it would reduce dependence on government funding, and 48.0 percent indicate that privatization would improve the profitability of the company. Other perceived benefits of privatization were the sustainability of the airline (38.0 percent) and reduction in bureaucracy (22.0 percent). Asked to indicate what fears or concerns they had about the privatization of Air Botswana, only 8.0 percent of the respondents indicated that they had no fears whatsoever. The remaining 46 (92.0 percent) of the respondents recoded a number of concerns. With some of them listing more than one concern, 42 (or 91.3 percent) reported being worried about staff retrenchment/ loss of jobs, 41.3 percent said they were concerned about lack of capital to attract buyers/investors, and 19.6 percent indicated that they were concerned about the possibility of total failure to privatize the company. The fear of retrenchment/loss of jobs was also expressed by the trade unionist interviewed as a key informant.

The study also sought to identify the perceived role of other stakeholders, especially the Ministry of Works and Transport and PEEPA, in the privatization. Whereas 12.0 percent of the respondents said that the Ministry of Works and Transport had no role to play in the privatization of the airline, 74.0 percent saw its role to be one of managing and monitoring the privatization process. The remaining 14.0 percent perceived its role as that of providing/identifying strategic investors. Turning to PEEPA, 52.0 percent of the interviewees felt that the agency should be the driving force behind the privatization of Air Botswana. On the other hand, 38.0 percent said that PEEPA should provide advice and assistance where necessary while 10.0 percent felt that the agency should find strategic partners for the airline. The view that PEEPA should serve an advisory role was shared by the Ministry of Works and Transport. It considered the agency to be an advisory organ that should “help with the language” in formulating proposals aimed at the privatization of the Air Botswana.

CHAPTER FIVE

DISCUSSION AND CONCLUSIONS

Chapter five discusses the major findings of the study and offers a way forward. The chapter is organized into four sections. Section one presents a summary of the key findings of the study while the interpretation of those findings is undertaken in section two. The third section presents the conclusions emanating from the results of the study. The last section offers some recommendations for strengthening privatization in Botswana as a whole and at Air Botswana in particular.

5.1 Summary of Findings

Responses from 50 respondents drawn from Air Botswana, the Botswana National Productivity Centre (BNPC) and the Ministry of Works and Transport were analyzed for this study. Supplementary data were also collected from informal interviews with four key informants; a top government official in the Ministry of Works and Transport, a trade unionist, and two members of parliament belonging to the ruling Botswana Democratic Party (BDP). Those interviewed for the study included 52.0 percent females and 24 48.0 males aged from 31 to 59 years; their mean age was 42.2 years. The interviewees held varied qualifications ranging from primary school certificates to Masters Degree certificates; the majority (54.0 percent) had attained a Bachelor's Degree and above. They had been working for their current employers for periods ranging from 1 to 22 years; the mean tenure was 10.5 years.

The results revealed that a majority (88.0 percent) of the respondents held two closely related meanings of the concept of privatization; that is 'the transfer of management from government to the private sector' and 'the transfer of property (assets) from public to private ownership'. Similarly, the overwhelming majority (80.0 percent) of the interviewees expressed support for privatization arguing that public enterprises were less profitable/made losses compared to private enterprises. The results showed that the three top functions of privatization, from the perspective of the interviewees, were 'to improve service delivery', 'to reduce government involvement in industry and commerce', and 'to make economies more competitive'. With respect to fears about privatization, 62.0 percent of the study subjects reported that their greatest concern was people losing their jobs; similar fears were expressed by the trade unionist interviewed for the study. Consistent with this, retrenchments or loss of jobs was identified by 70.0 percent of the respondents as the number one possible negative outcome of privatization followed by more interest on profit maximization as opposed to the interests of the community and the creation of private sector monopolies, among others. The interviewees offered a variety of steps that governments the world over could utilize to improve the implementation of privatization. The top three of these were 'to educate and inform the public about privation', 'to implement privatization in phases', and 'to review labor laws to avoid abuse of workers during privatization'.

With specific reference to privatization in Botswana, the results showed that the overwhelming majority (86.0 percent) of the respondents approved of the implementation of the process in the country arguing that, among others, it would improve efficiency in service delivery, arrest the poor performance of public sector enterprises, create opportunity for the growth of the private sector, and curb government monopoly of public sector enterprises. Although those who supported the need for privatization in Botswana differed greatly with regard to the level the process should assume in the country, the biggest proportion (48.0 percent) preferred a piecemeal case-by-case strategy. This was also echoed by the two ordinary members of parliament who acted as key informants for the study. Concerning decision making about the privatization process, the majority (52.0 percent) of the interviewees felt that this should be left to the public. Although the results revealed that the interviewees held a wide variety of types of privatization that Botswana could adopt, the sale of shares emerged to be the most preferred type followed by joint ventures between public and private sectors.

Turning specifically to the privatization of Air Botswana, the respondents felt that the initial attempts had been unsuccessful mainly because of the withdrawal of Com Air as a potential buyer, lack of adequate strategic partners, reluctance on the part of the private sector to get involved as buyers, lack of adequate assets to attract potential partners or buyers and lack of management and government commitment to the process, among others. The results also revealed the existence of overwhelming (84.0 percent) support for the revival of the privatization of Air Botswana. Similar support was evident from interviews with the Assistant Minister for Works and Transport and from informal interviews with a former general manager as well as a former financial manager of the company. Those who supported the revival of the privatization of Air Botswana argue that it would improve efficiency and effectiveness of the airline, reduce dependence on government funding, and improve the profitability of the company, among others. However, an overwhelming majority (91.3 percent) of them feared that the process could occasion staff retrenchment and hence jobs losses. Similar sentiments were also expressed by the trade unionist interviewed for the study.

5.2 Interpretation of Findings

Evidently, this research has addressed an important topic of national interest, of which there is commendable concern to debate the issues involved with a view to making progress. Truly there is a feeling in Botswana that the impeding privatization of Air Botswana as the identified "guinea pig" has been watched with great interest and concern by many Batswana, and perhaps society at large with the hope and conviction that some important lessons may emerge that could guide the privatization of other scheduled state owned enterprises. Viewed in this light, this study, no doubt, has contributed to the re-igniting of the debate about privatization in Botswana particularly given that, despite initial reluctance from would-be participants, the study ended up being well received by most of the participants in their varied capacities as employees, management, government officials, trade unionists, parliamentarians, or as consumers of services offered by Air Botswana.

The results showed that those interviewed for this study were quite knowledgeable about the process of privatization. Not only did they understand its meaning, they were also well versed with its functions and possible dangers. This is evident in a number of ways. First, the definitions of privatization realized by this study are consistent with those existing in the literature (see e.g. Savas 1987; Nightngale and Pindus, 1997; Scalar 2000). Second, the respondents' views about the process of privatization are consistent with the objectives of privatization in Botswana as embedded within the policy that governs it. Third, the functions of privatization identified by the interviewees mirror those found in the empirical and theoretical literature and are also consistent with those bandied by policy makers as well as by international agencies such as the IMF, the WB and other donor agencies (see e.g., Starr, 1988; Jazairi, 1994; Tanyi, 1997; Botswana Government, 2005). To illustrate, the respondents identified 'to improve service delivery', 'to reduce government involvement in industry and commerce', and 'to make economies more competitive' as the three top functions of privatization in general. Finally, the interviewees demonstrated a good understanding of the dangers of privatization as evident from the listing of fears/concern they had about the process. The results showed that the majority (62.0) percent of them were concerned about the loss of jobs. Similar fears were expressed by the some of the key informants interviewed for the study. This is consistent with the existing literature (see e.g., Hatry 1989; Osborne and Gaebler, 1992; Jazairi, 1994; Reason Foundation, 1996, 2006; Nightngale and Pindus, 1997) which documents the prospect of massive layoffs of government workers due to privatization as one of the strongest reasons advanced against privatization particularly by public employees and unions representing public employees.

Based on the results of this study Air Botswana's service has become unreliable and thus not dependable. Only 36.0 percent rated the company's performance as satisfactory. Based on the management and employees of the airline, similar sentiments have been expresses by customers. As such, there is concern for loss of business and credibility, and the continued deterioration of the airlines image as a national carrier. An indication of the declining credibility of and confidence in Air Botswana is evident from the resignation of three of its citizen pilots in early may 2006 (see The Midweek Sun, May 24, 2006). This forced one of the airline's only three operating jets to be grounded without pilots. It also sparked off fears that the national airliner could be headed for a mass exodus of citizen pilots (captains) as it once happened during the early 1990s.

Clearly, Privatization is one avenue through which this could be attained and the stalled privatization should be fast-tracked before the situation deteriorates further. The concern about the loss of business by Air Botswana is consistent with the commonly held belief among 68.0 percent that an economic motive was the major driving force behind the privatization of Air Botswana. This view suggests that those interviewed for the study were already aware that the national airline has been making losses; the company lost P46 million in fiscal year 2004/2005 and of late its service have become rather erratic and unreliable with flight schedules frequently being altered and/or canceled (Air Botswana 2005). Out of the three ATR 42 airplanes that the airline owns, two are not very dependable due to age and travelers have become skeptical of using Air Botswana especially fore those routes where there is an alternative airline to use, such as South African Express Airways.

The results of this study suggest that the successful privatization of Air Botswana is an achievable rather than a pipe dream. Specifically, net of certain fears such as the loss of jobs, there exist a lot of good will on the part government, employees and other stakeholders for privatization in the country as a whole and for the privatization of Air Botswana in particular. The study found that the overwhelming majority - 86.0 percent - of the respondents approved of the implementation of privatization in Botswana as a whole. A comparable proportion - 84.0 percent - supported the continuation of the privatization of Air Botswana compared to only 16.0 percent who felt that the process should be halted. In addition, 78.0 percent of the interviewees felt that the privatization of the airline was currently a major subject of consideration by the Executive Management of the company; symbolizing management's and other stakeholders' commitment to re-energizing the privatization of the company. It is very clear from these results that there exists a national commitment to revamp Air Botswana. These findings also suggest that the slow progress made during the initials efforts to privatize Air Botswana and other government (or public sector) enterprises and services did not stem from opposition from those responsible for the process and/or from other stakeholders affected by it. Rather, it could have been consequent from the way the process was being implemented. That is, the almost failed take off of the privatization movement in Botswana could be a matter of procedure and not the lack of acceptance and support for it. Of course there are also externalities that may affect specific cases such as that of Air Botswana. We have in mind incidences like the withdrawal of Com Air as a possible buyer of the airline, the regrettable events of September 11, and other acts or threats of terrorism targeted at the aviation industry.

Despite the high level of support for the revived privatization of air Botswana, those interviewed for this study expressed some fears about the process. As pointed out earlier, the number one concern was the possible loss of jobs which was also expressed by the trade unionist interviewed for the study. That the fear of job loss was a major concern is not surprising. First, and as already acknowledge, such fear is well documented in the literature (see e.g., Hatry 1989; Osborne and Gaebler, 1992; Jazairi, 1994; Reason Foundation, 1996, 2006; Nightngale and Pindus, 1997) as one of the most popular reasons advanced by the opponents of privatization, more so workers' unions. With specific reference to the unionist interviewed for this study, it would have been mind boggling if he did not express the fear of job loss as one of the major concerns he had about privatization in Botswana. This would have run counter to his role as a representative of employee interests and as a champion and protector of their rights to full, beneficial, and guaranteed employment it was expected of him to express this type of concern. Furthermore, it would have stood in contrast to the belief by trade unions in Botswana in the government as a stable employer who guarantees dependable employment as opposed to the private sector which is normally driven by the economic motive or the desire to maximize profits rather than increase job creation and improve the general welfare of society. The 2004 Botswana Federation of Trade Unions Position Paper reiterates that where privatization is inevitable, retrenched workers should receive adequate compensation, negotiated through the union covering the particular public enterprise. In addition, the employees of such public enterprises should be empowered through Employee Share Ownership Plans (ESOPs) to acquire shares in these enterprises (Botswana Federation of Trade Union, 2004).

5.3. Conclusions

Several conclusions derive from the core findings of this study. First, and consistent with the first objective of the study, that there exists a high level of knowledge about and understanding of the process of privatization. This is certainly true for urban dwellers; whether rural folks are equally knowledgeable remains the subject for future research. A second conclusion emanating from the results of our study is that there exists ample good will and support for the privatization movement in Botswana in general and for the privatization of Air Botswana in particular. Consistent with such support, Batswana, it may also be concluded, have a positive attitude towards privatization. Jointly, the existence of a positive attitude towards and support for privatization create conditions that favor the successful implementation of privatization in the country. With particular reference to Air Botswana, it may be concluded that conditions are ripe for the revival and successful conclusion of the airline's privatization. Management, employees and other interested institutions not only have a positive attitude towards the privatization of the company, but also overwhelmingly endorse support it and are committed to it. Nevertheless, care must be taken to ensure that the process is re-ignited within the context of the dominant challenges that initially stood in its way. Also, the renewed privatization of Air Botswana must take cognizance of the possible perceived major negative consequences of the process.

Finally, it may be concluded that despite the benefits that privatization may bestow on Air Botswana, the airline cannot afford to be overly complacent about emerging challenges that are facing the aviation industry as a whole. That is, privatization will not provide a one stop cure to all the problems that the airline is faced with or is likely to confront during its post-privatization existence. In particular, to survive and remain competitive, Air Botswana must pay close attention to the decision to deregulate the air transport industry (or the 'open sky' policy) that is progressively becoming the norm in the industry. In Africa this policy is grounded on the Yamoussoukro Declaration which requires African states to comply with the free movement of airlines within the continent. The liberated open regime will encourage competition as it opens up the destination's options. For Air Botswana to effectively counter the possible negative effects of the 'open sky' policy, it must take deliberate steps to strengthen customer satisfaction with, confidence in, and commitment to the airline, which, most probably will not automatically trickle down from the successful privatization of the airline.

5.4 The Way Forward

Emanating from the results of this study is a number of suggestions aimed at improving the implementation of privatization in Botswana in general as well the revived privatization of Air Botswana in particular:

- Governments and the management of paraststals that have been identified as potential privatization candidates must make every effort to cultivate and entrench the good will and support for privatization that was evident from this study.

- Closely related to the above, public education and awareness creation should be increased to enhance the understanding of the general public and facilitate their participation in taking up the privatization initiative including buying stakes and shares in such companies as they continue being privatized. This will also reduce any anticipated fears that may be associated with privatization.

- To stem down the eroding public confidence in the services offered by Air Botswana and to curtail the fear of mass exodus of citizen pilots from the airline, the government and the management of Air Botswana, buoyed by the high levels of support for the revival of the privatization of the company, should fast track and expedite the revived privatization of the airline without further delays. After all, at least from the perspective of this study, all indications are that the nation has long been ready for the privatization of the airline. Delaying the process further could occasion a loss of confidence in the government's ability to implement the project and cause the unwarranted withdrawal of public support. Further delays also mean continued poor service delivery and loss of national and international credibility for Air Botswana and indeed the nation at large.

- To speed up the privatization of Air Botswana, the roles of the Ministry of Works and Transport and of PEEPA should be clarified and backed up by clear policy as to how each of the two stakeholders should intervene in the process. This is necessary to remove any perceived ambiguities that may hinder smooth working relations between the two stakeholders and the management of the airline. Currently, despite PEEPA being the prime agency driving the privatization process in the country as a whole, the Ministry of Works and Transport see the agency's role as an advisory one while bestowing on itself the responsibility of managing and monitoring the privatization of Air Botswana. This situation is a recipe for confusion among the management of the airline.

- To guard against the erosion of support from employees and the public for the privatization of Air Botswana, every effort must be made to reduce the loss of jobs to the minimum. This applies equally to the privatization of any other state owned enterprises. Where job cuts are necessary, this must be explained to the workers very clearly and the rational for it explicated to the letter. In addition, the process must be guided by the existing labor laws and observe the rights of workers as stipulated in the manifesto of the union representing the affected employees. In sum, both the government and the organization concerned should avoid the adoption of bully mentality that would alienate employees as well as the unions representing them.

- Once privatized, for Air Botswana to become the airline of first choice in the region through the delivery of high quality service, management and staff must focus on customer needs, maintain world-class safety standards, develop people through training, maximize the benefits of privatization and strategies alliances, and grow the airline's network of services.

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United Nations Economic Commission for Africa website: www.uneca.org

APPENDIX I: QUESTIONNAIRE

A STUDY OF PRIVATIZATION IN BOTSWANA: THE CASE OF AIR BOTSWANA

Dear Respondent,

This questionnaire is part of a research that is designed to assist the researcher complete a dissertation for the Master of Business Administration (MBA) degree with University of the Northwest in South Africa. The study seeks to gain a better understanding of the process of privatizing Air Botswana.

Your participation in this survey is highly appreciated. The information you divulge will be treated with utmost confidentiality and all surveys will be destroyed at the end of the study. Also, you are **not** required to provide any information (e.g. name) that could be used to identify you.

Furthermore, no response from a particular respondent will be analyzed and used separately. Rather, responses will be used only in combination with the responses from other participants. In this way, confidentiality is maintained.

I would appreciate if you could **circle** the response that most accurately represent you views in the questionnaire. Kindly complete the survey at once; this will require between 20 to 25 minutes. Also answer the questions in the order in which they are presented in the questionnaire. There is no "right" or "wrong" answer to any of the questions.

I want to thank you most sincerely in advance for your time and co-operation.

Please complete and return to Ms. Neo Maruapula
Consultant, IDM Botswana Campus
Telephone 3952371
Facsimile 3500843
Cell 71309987

SECTION I

QUESTIONS 1 THROUGH 6: These questions are intended to gather information about your current job.

1. Name of current employer ____

2. Position held ____

3. How many years have you been working? _______________ years

4. How many of the above years have you been working for your current employer? _______ years

5. Since joining your current employer, how many times have you been promoted? _________ times

6. How many employees fall directly under your supervision? ____________ persons

SECTION II

QUESTIONS 7 THROUGH 15: These questions are intended to gather information about your level of knowledge and attitude towards privatization in general.

7. What do you understand by privatization?

   1. A process of transferring property from public ownership to private ownership.
   2. A process of transferring the management of a service from government to the private sector.
   3. A public sector reform designed to improve enterprise efficiency
   4. A method utilized by government to reduce the size of the public sector.
   5. Other [**Specify]:** ____

8. In your view what are the functions of privatization? **[You can select more than one item]**

   1. To reduces government involvement in industry and commerce.
   2. To reduce the debts and the losses that governments have incurred.
   3. To streamline heavy loss-making public sector enterprises.
   4. To make economies more competitive.
   5. To improve service delivery
   6. Other **Specify]:** ____

9. In general do you favor or oppose privatization of government services/ operations?

   1. Favor 2. Oppose 3. Don't know

10. Which do you think is a better idea?

    1. Leaving the delivery of government services to the government
    2. Privatizing most government services
    3. Privatizing only a few selected government services
    4. Balancing government and private companies' delivery of government services
    5. Other **Specify]:** ______________________________

11. Which of the following reasons are most countries likely to advance to explain why they have opted for privatization? **[You can select more than one response item]**

    1. It allows market forces to stimulate the economy.
    2. It increases productivity and efficiency.
    3. It increases diversity of the goods and services.
    4. It provides widespread share ownership
    5. It speeds up the development of the capital market.
    6. Other **Specify]:** ______________________________

12. Many developing countries that initially opposed privatization have been forced to advocate it as a useful tool: [**You can select more than one item]:**

    1. Because of budget deficits.
    2. Because of mounting external debts.
    3. To reduce fiscal demands.
    4. To increase the vitality of the private sector.
    5. Because of mounting pressure from international agencies especially the IMF and World Bank
    6. Due to rising pressure from international donor and financial agencies/institutions
    7. Other **Specify]:** ______________________________

13. When you think about the privatization of government services, which of the following do you worry most about?

    1. Maintaining accountability to the public sector
    2. Maintaining fair and equal services to the people who need them
    3. Maintaining financial prudence
    4. Maintaining the efficiency in the provision of services
    5. People losing their jobs
    6. Other **[Specify]:** ______________________________

14. What are the negative outcomes of privatization? **[Can select more than one item]**

    1. Increased job losses
    2. Leads to reduction in wages.
    3. Leads to higher prices.
    4. More interest on profit maximization as opposed to the interests of the community
    5. Loss of control by the government over provision of essential services.
    6. Lack of transparency may lead to the concentration of wealth in a minority few
    7. Deprives the poor of essential services
    8. Reduces efficiency in the provision of services.
    9. Creates private sector monopolies
    10. Other **specify]:** ______________________________

15. To improve the process of privatization governments and other stakeholders' can **[You can select more than one item]:**

    1. Introduce public education through the use of educational programmes to the community.
    2. Ensure public economic empowerment through relaxed financial borrowing schemes or partnerships.
    3. Carry out economic policy review to ensure the reduction in taxation for entrepreneurial
    4. Review of labor reforms to avoid abuse of workers by private companies.
    5. Consider privatizing in phases as opposed to full privatization.
    6. Categorize entities and only privatize those that are an economic liability to the government
    7. Promote partnership.
    8. Other **specify]:** ______________________________

SECTION III

QUESTIONS 16 THROUGH 22: The following questions are intended to gather your views regarding privatization in Botswana in general.

16. In your own opinion, relative to private firms state owned enterprises are:

    1. More profitable
    2. Equally profitable
    3. Less profitable
    2. Make losses

17. Does Botswana need privatization?

    1. Yes **[Go to Question 18 then skip to Question 20]**
    2. No **[Go to Question 19]**

18. If yes, indicate why **[You can select more than one item]**

    1. The desire to improve efficiency in the delivery of services
    2. The need to create further opportunities for the growth of private sector.
    3. The need to arrest the poor performance of public enterprises.
    4. To curb government monopoly of public sector enterprises.
    5. Other **[Specify]:** ____

19. If no, explain why **[You can select more than one item]**

    1. Public sector enterprises are performing satisfactorily/making profits
    2. The delivery of services by the public sector is efficient
    3. Botswana does not suffer from the debt burden affecting most other African countries
    4 The majority of the population is dependent on the public sector for services and privatization would make such services inaccessible to them
    5. Other **[Specify]**: ____

20. Who do you think should decide about the privatization of the public sector enterprises in Botswana?

    1. Politicians especially the cabinet
    2. The public
    3. Consultants
    4. Managers and directors of the public sector
    5. Other **[Specify]:** ____

21 What level of privatization would you recommend for Botswana?

    1. A full blown planned privatization
    2. Start with partial or piecemeal privatization.
    3. Widen share ownership to allow employees to obtain a stake in the business for which they work.
    4. Other **[specify]:** ____

22. Which type of (or approach to) privatization should Botswana embrace?

    1. Stock market flotation to sell control of government industry
    2. Trade Sales.
    3. Auctions.
    4. Share Sales.
    5. Liquidation.
    6. Introducing new competitors and new investors.
    7. Joint Ventures between the public sector and private sector and franchising out activities.
    8. Other **[Specify]:** ____

SECTION IV

QUESTIONS 23 THROUGH 38: The following questions are intended to gather your views regarding the privatization of Air Botswana.

23. How would you rate Air Botswana's overall performance?

    1. Highly satisfactorily
    2. Satisfactorily
    3. Not sure
    4. Unsatisfactorily
    5. Very unsatisfactory

24. How would you rate the services provided by Air Botswana?

    1. Excellent
    2. Very good
    3. Good
    4. Poor
    5. Very poor

25. What do you consider to have been the major driving motive behind privatization of Air Botswana?

    1. Political motive
    2. Economical motive
    3. Fiscal motive
    4. Social motive

26. In your view what major reasons prompted the privatization of Air Botswana? **[Can select more than one item]**

    1 To reduce debts
    2 To reduce the role of state in order to allow it to concentrate on the essential task of governing
    3 To promote economic efficiency by forecasting well functioning markets and competition
    4 To generate new investment including foreign investments
    5 To spread and democratize share ownership
    6. Mobilize domestic resource for development's deeper domestic financial development
    7. Other **[specify]:** ______________________________

27. Which of the following basic techniques used to privatize Air Botswana do you prefer most?

    1. Share Issuing Privatization (SIP)
    2. Asset sales and voucher or just privatization
    3. Employee of the SOE are offered stock at below the market price

28. Other than the withdrawal of Com Air, what are the major reasons that led to the privatization of Air Botswana not materializing as was expected? **[Can select more than one item]**

    1. Lack of Government commitment
    2 Change in the top leadership of the organization
    3. Lack of proper assistance and direction from PEEPA
    4. Lack of adequate assets to attract potential strategic partners/buyers
    5. Lack of adequate strategic partners
    5 Lack of charismatic leader
    6 Other **[Specify]**: ____________________

29. The privatization of Air Botswana should be continued:

1.	Strongly Agree	3.	Disagree
2.	Agree	4.	Strongly Disagree

30. Privatization of Air Botswana an issue of major consideration by the Executive Management of Air Botswana:

1.	Strongly Agree	3.	Disagree
2.	Agree	4.	Strongly Disagree

31. The Management of Air Botswana is very committed to the privatization of the company:

1.	Strongly Agree	3.	Disagree
2.	Agree	4.	Strongly Disagree

32. In your opinion which of the following reasons have slowed down the privatization of Air Botswana? **[Can select more than one item]**

    1. Embryonic nature of private sector
    2. Poor state of economy at independence
    3. Reluctance in the part of private sector
    4. Other **[Specify]:** ____________________

33. What privatization options should Air Botswana consider, taking into account that there has been failure to privatize before?

    1 Outright sale to the general public as an auction sale
    2 Sell to employees only
    3 Convert into totally private company
    4 Other **[Specify]:** ____________________

34. What should be the source of funding for privatization of Air Botswana?

    1. Foreign Investors
    2. Private Investors
    3. Other **[Specify]:** ____________________

35. State the perceived role of the Ministry of Works and Transport in the privatization of Air Botswana

____

____

____

____

36. State the perceived role of PEEPA in the privatization of Air Botswana

____

____

____

____

37. What are the perceived benefits of privatization of Air Botswana? **[Can select more than one item]**

1. Less dependence on Government funding
2. Reduce bureaucracy
3. Profitability of Air Botswana
4. Sustainability of Air Botswana
4. Efficiency and Effectiveness
5. Other **[Specify]:** ____________________

38. What are the perceived fears (negative outcomes) of the privatization of Air Botswana? **[Can select more than one item]**

1. None
2. Retrenchment of staff
3. Total failure to privatize
4. Lack of capital to attract buyers/investors
5. Other **[Specify]:** ____________________

SECTION V

QUESTIONS 39 THROUGH 43: The final set of questions is intended to collect information on your personal background. Please either fill in the blank or circle the response that best describes you. Although the questions are about you please keep in mind that they are to be used in statistical form only.

39. What is your year of birth? ____________

40. What is your sex?

1. Male
2. Female

41. What is your marital status?

    1. Single (never married)
    2. Co-habiting
    3. Divorced
    4. Married
    5. Separated
    6. Widowed

42. What is the highest level of formal schooling you have completed?

    1. Primary School Graduate
    2. Junior Secondary School Graduate
    3. Senior Secondary School Graduate
    4. College Diploma
    5. Bachelor's Degree
    6. Masters Degree
    7. Other **[specify]** ____

43. What is your current total monthly gross income (i.e. salary plus housing allowance if you are not housed by your employer) from your job? P.__________

44. Is there anything else you would like us to know about your job? Please use the space provided below to document it.

    ____

    ____

    ____

    ____

    ____

Thank you again for your time and cooperation

APPENDIX 2: LETTER OF CLEARANCE FROM AIR BOTSWANA

MASTER OF BUSINESS MANAGEMENT MAJOR IN FINANCE
NORTH WEST UNIVERSITY

General Manager **February 4, 2006**
Air Botswana
P. O. Box 92
Gaborone

RE: CLEARANCE TO CANDUCT RESEARCH

Dear Respondents:

Last year, I **Neo Maruapula**, a student at the University of the North West, requested to undertake a case study of the **Privatization of Air Botswana**. This request was made to the Management of Air Botswana for their support in my training in Master of Finance, which required me to develop a case study report on privatization.

After meeting with the Legal Affairs Manager, and the Commercial Manger, permission was provisionally granted on the understanding that proper research ethics shall be followed.

At present, now having passed the course work stage, I am at the data collection stage of my training program and have designed the attached questionnaire to be completed by personnel within the Management hierarchy of Air Botswana, and particularly those in the commercial marketing and public relations department of the national airline.

Kindly assist me in completing the questionnaire, which I shall personally collect from the Public Relations Manager or Legal Advisor by **end of February 2006**. It is expected that my case study report should be presented for marking during March/April 2006.

Proper acknowledgement of Air Botswana shall be made and a copy of the results of the study will be given to the Air Botswana Public Relations Manager for custody and reference.

I thank you very much for your participation and support. I hope to be of value to the national airline.

Sincerely,

Neo Maruapula
Master of Finance Student
University of the North West