CAPACITY AND LEGITIMACY IN POLICY IMPLEMENTATION: SINGAPORE AND BOTSWANA

By

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Abstract

This thesis seeks to identify and analyze the institutional properties and processes through which economic policies are implemented in emerging democracies. The goal is to gain a better understanding of some possible common characteristics of economic policy implementation involving complex partnerships between the public and private sectors. The discussion in this thesis follows an analytical perspective that takes insight from the institutionalist approach in understanding the relationship between states and markets. Thus, the concepts of institutional relationships and processes in policy implementation are central to the discussion. The central argument maintains that managing these relationships requires certain elements of administrative capacity and institutional legitimacy. The administrative capacity of the state refers to the coherence, autonomy and competence of the state's administrative machinery in its engagement with non-state actors and interests within a given policy field-- in this case, private sector development. Institutional legitimacy is the perception of citizens in general, and specific policy clients in particular, about the authority and credibility of the state and its public managers/agents to govern the trajectory and resources of a given policy.

The discussion centres around the experiences of Singapore and Botswana in a comparative analysis, seeking to identify commonalities and differences in the properties and processes that constitute each country's administrative capacity and institutional legitimacy in economic policy implementation. It examines their respective models of market governance, the role of strategic management in private sector development, and how these states have engaged or networked with their private sectors in overcoming economic constraints and enhancing the successful implementation of economic policies. Finally, the thesis also assesses how each state has managed to adapt its relationship with market actors in the face of changing exigencies in their respective politics and economies.

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Table of Contents

Descriptive Note	**ii**
Abstract	**iii**
Acknowledgements	**iv**
Table of Contents	**v**
List of Acronyms	**viii**
Chapter 1 Introduction	**1**
Substantive Focus	4
Analytical Scope	4
Main Themes	5
Structure of the Discussion	5
Chapter 2 Conceptual Framework: State-Market Partnership	**7**
Introduction	7
Overview of the Discourse	7
A Typology of Political Economies	8
Pragmatic Economic Management	10
State-Market Partnerships: Governance of Collaborative Networks	11
Chapter 3 Capacity and Legitimacy in State-Market Partnership	**15**
Introduction	15
Administrative Capacity	16
The Inadequacy of Bureaucratic Management	18
Organizational Coherence as a Dimension of Administrative Capacity	21
Policy Autonomy as a Dimension of Administrative Capacity	22
Strategic Management: Integrating Coherence and Autonomy	24
Institutional Legitimacy	26
An integration of Administration and Politics	27
Institutional Legitimacy: Government and Citizens	29
Institutional Legitimacy: Administration and Policy Stakeholders	31

Chapter 4 Research Method **34**

Introduction 34
Conceptualization and Operationalization of the hypotheses 34
Case Selection 37
Data Collection 38
Levels and Units of Analysis 39
In-depth Interviewing 39

Chapter 5 Economic Policy Implementation: The Case of Singapore **41**

Introduction 41
Pragmatic Economic Management in Singapore 43
State-Market Partnership: The Role of Agencies 45
Towards a "New Economy" 49
Plans and Programmes of the New Economy 51
Emerging Issues of Administrative Capacity in the New Economy 55
Institutional Legitimacy 57
Legitimacy: Government-Citizen Engagement 58
Legitimacy: Administration and Stakeholders 63
Changing Dynamics of Legitimacy in the New Economy and Polity 65
Conclusion 69

Chapter 6 Economic Policy Implementation: The Case of Botswana **70**

Introduction 70
Pragmatic Economic Management in Botswana 71
Macroeconomic Success: an Evaluation 73
Economic Diversification in Botswana 74
State-Market Partnership: The Role of Development Agencies 75
Renewed Impetus Towards Economic Diversification 78
Institutional Legitimacy in Policy Implementation 84
Institutional Legitimacy: Government-Citizens Engagement 84
Institutional Legitimacy: Administration and Policy Stakeholders 89
Conclusion 91

Chapter 7 Administrative Capacity: A Comparative Assessment of Singapore and Botswana **92**

Introduction 92
Similarities in Economic Management in Singapore and Botswana 92
Economic Diversification in Singapore and Botswana: An Evaluation 96
Administrative Capacity: A Comparative Assessment 100
Emerging Issues of Administrative Capacity 113

Chapter 8 Institutional Legitimacy: Singapore and Botswana in Comparison **116**

Institutional Legitimacy: A Comparison 117
Recent Trends in Institutional Legitimacy 124

Chapter 9 Conclusion and Recommendations **126**

References **135**

Appendix 1 **155**

Appendix 2 **157**

List of Acronyms

BDP	Botswana Democratic Party
BEDIA	Botswana Export Development and Investment Agency
BIPA	Botswana Trade and Investment Promotion Agency
BOCCIM	Botswana Confederation of Commerce, Industry and Manpower
BSB	Botswana Savings Bank
CAP	Corporate Advisers Programme
CEDA	Citizen Empowerment Development Agency
CPF	Central Provident Fund
EDB	Economic Development Board
EISC	Entrepreneurship and Internationalization Sub-Committee
FAP	Financial Assistance Plan
GLCs	Government-linked Companies
HDB	Housing Development Board
HLCC	High Level Consultative Council
IDA	Industrial Development Act
IDP	Industrial Development Policy
IFSC	International Financial Service Centre
iLIUP	Infocomm Local Industry Upgrading Programme
ISEAS	Institute of South East Asian Studies
ISI	Import-Substitution Industrialization
JTC	Jurong Town Corporation
LEFS	Local Enterprise Finance Scheme
LETAS	Local Enterprise Technical Assistance Scheme
LIS	Loan Insurance Schemes
LPP	Local Procurement Programme
LPS	Local Preference Scheme
MCI	Ministry of Communication and Information
MFDP	Ministry of Finance and Development Planning
MLP	Micro Loan Programme
MNCs	Multinational Corporations
MoF	Minister of Finance,
MTI	Ministry of Trade and Industry
NBC	National Business Conference
NCB	National Computer Board
NDB	National Development Bank,
NDP	National Development Plan
NPB	National Productivity Board
NSTB	National Science and Technology Board
NTUC	National Trades Union Congress
NWC	National Wage Council
PAP	People's Action Party

SCC	Singapore Chambers of Commerce
SCR	Singapore Competitiveness Report
SDF	Skills Development Fund
SEP	Singapore Economic Plan
SICC	Singapore International Chambers of Commerce
SISIR	Singapore Institute of Standards and Industrial Research
SMEs	Small and Medium-size Enterprises
SPRDP	Selebi-Phikwe Regional Development Programme
SPRING	Singapore Productivity and Standards Board
TDB	Trade Development Board
TEC-UP	Technology for Enterprise Capability Upgrading
TIPA	Trade and Investment Promotion Agency
URA	Urban Redevelopment Authority
WDA	Work Development Authority

Chapter 1
Introduction

This thesis seeks to identify and analyze the institutional properties and processes through which economic policies are implemented in emerging democracies. The main questions that are addressed include: first, what are the administrative and political mechanics that surround the complex and dynamic relationship between the public and private sectors in the pursuit of economic development in developing countries? Second, how do institutional principles and processes of network governance in policy implementation explain the nature of partnership formation between the state and organized interests in the market in the pursuit of certain economic policy goals? The ultimate aim in answering these questions is to gain a better understanding of some possible common characteristics of policy implementation involving complex partnerships between the public and private sectors.

The term "implementation" as a popular concept in contemporary discourse among scholars of public policy dates back to Pressman and Wildavsky's 1973 work. They conceptualized as "implementation theory" the who and how of policy being put into effect, giving us the benefits of an implementation perspective by which the researcher could not only analyze the "missing link" between policy formulation and evaluation, but also bridge the distinction between politics and administration. In keeping with the line of inquiry laid out by Pressman and Wildavsky, Hjern and Hull (1982: 246) also argue that policy implementation research provides the essential link between political and economic analysis of policy implementation and the organizational or institutional analysis of public administration. Moreover, Linder and Peters (1984) use the term "implementation" to explain the success or failure of a number of policy interventions, or even as a means of understanding political systems taken more broadly (Hjern and Hull, 1982).

There are broad themes in the policy implementation literature: the first is concerned with developing analytic models called the first, second and third generation models of policy implementation (Goggin, Bowman, Lester, and O'Toole, 1990: 13-15); the second theme relates to the different approaches taken to studying public policy implementation, namely a "top-down" or "bottom-up" approach (Hill and Hupe, 2002). The third theme concentrates upon trying to identify key implementation variables that could explain the success or failure of policy outcomes (Exworthy and Powell, 2004; O'Toole, 2001). Elaborating on the above themes in policy implementation is beyond the scope of this work. Nevertheless, it is noteworthy that the multiplicity of approaches to studying policy implementation has caused some scholars (deLeon and deLeon, 2002; O'Toole Jr., 2001) to lament what they call the absence of theoretical coherence in the policy implementation literature. These scholars complain about what they consider the fragmentation of theoretical perspectives and research tools in the existing analyses of policy implementation.

Among the reasons for the aforementioned problem is that three decades of academic research into the New Public Management (NPM) approach has increased the attention given to policy design and evaluation, with consequently less focus on the process of policy implementation (Page, 2002). In this connection it is worth repeating Barrett and Fudge's (1981) enunciation of the obvious but compelling truism that policy does not implement itself.

Another by-product of the above research focus among public administration scholars is a preoccupation with normative, top-down processes of policy implementation. There has been a neglect of the nuances of the role of horizontal state-society frameworks of policy implementation, as well as of the challenge of micro-political processes at the frontlines of policy implementation (Barrett, 2004; Mazmanian and Sabatier, 1989). In this vein, Schoffield (2001) has suggested a unifying approach to studying multi-actor and inter-organizational activities within politics and administration. Linder and Peters (1987) also make a compelling argument for integrating the two sides of the top-down and bottom-up dichotomy in policy implementation.

Addressing the above issues requires new tools of analysis in understanding the policy space where multiple organized interests converge and interact. For instance, Sinclair's work (2001) affirms that public administrators are crucial players in street-level policy making as well as policy implementation. Sinclair complains that many of the recent articles in leading public administration journals continue to work from the theoretical and empirical assumptions of the first generation of implementation research, with a very mechanistic approach to analyzing the policy process, as if there is a tidy linear progression from policy formulation to evaluation. Integrating the bottom-up and top-down approaches holds more promise as a tool of inquiry (Sinclair, 2001: 77-79; Exworthy and Powell, 2004).

As Grindle and Thomas (1980) once noted, it is necessary to consider the context or environment (social, political and economic) in which administrative action is pursued. Policy implementation is conceived as an ongoing process of decision making involving a variety of actors (Smith, 1993). What is implemented may thus be the result of a competition among a combination of political interests and groups for scarce resources, the responses of implementing officials, and the actions of political elites, all interacting within given institutional contexts.

Mandell (1999) observes that in recent years, efforts at collaborations among policy stakeholders are becoming common as actors and interests realize that they must organize in an unprecedented way that allows them to try to solve problems on equal terms with the public, non-profit and private sectors. Network structures in turn require management styles and policy instruments different than the ones that are used in more typical bureaucratic efforts. Bowen refers to these processes as evincing "the complexity of joint action." And as Brinkerhoff (1999) suggests, understanding these networks requires paying attention to: 1) regime type; 2) trust and credibility; and 3) capacity.

Agranoff and McMguire (1999) have argued that in policy implementation frameworks that involve managing flexible network structures toward collective efficiency, the ability to manage is related to the internal condition of the manager's primary organization. It involves technical and political capacities (Baker, 1991). It also requires skills and forms of knowledge other than those found in single organization management: that is, skills and capacities aimed at network cohesion. These elements, however, are not enough. Policy implementation tasks -- whether in developed or emerging democracies -- are strategic, and not merely operational as in projects and programs. According to Crosby (1996: 1406-8), certain elements have to be realized in policy implementation: a) policy legitimation; b) constituency building; c) resource accumulation; d) organizational design and modification; and e) mobilization of resources and actions. Fundamentally, the question, "Who is in charge?" raises a great many questions about the collaboration of several institutions or organizations whose resources or support may be needed for the success of the policy. It raises issues of network coordination along the interrelated lines of public-public, public-private, and private-private (Teisman and Kijn, 2002). Policy implementation brings together multiple agencies and groups to work in concert to achieve a set of objectives (Meier and O'Toole, 2004; Gupta, 2004). Making these joint arrangements function effectively depends upon multi-actor linkages and coordination.

The nature of the concepts of institutional relationships and processes in policy implementation is, then, central to this thesis. The term "relationship" in this context suggests a two-way process of complex interaction between, on one hand, a policy's content and objectives, and on the other hand, the political system as the contextual environment within which that policy is channelled (Brinkerhoff, 1999). As will be argued throughout this work, managing this relationship requires certain aspects of administrative capacity and institutional legitimacy. The administrative capacity of the state refers to the coherence, autonomy and competence of the state's administrative machinery in its engagement of non-state actors and interests within a given policy field. Second, there is the question of the perception of citizens in general, and specific policy clients in particular, about the institutional legitimacy of the state and its public managers/agents' authority to govern the direction and resources of a given policy. This will, therefore, involve addressing the specific issues of state-society policy network relations (Mandell, 1999), and the existence of credibility and trust, if there is any, between the government and non-state policy actors.

Two hypotheses, therefore, are central to the discussion in this thesis: *First, the capacity of a country's machinery to coordinate the interests of stakeholders affects the successful implementation of economic policies. Second, the degree of the state's institutional legitimacy-- the state's credibility, competence and authority to govern markets-- will directly impact the success or failure of the state's effort at mobilizing network partnerships as frameworks through which economic policies are implemented.*

Substantive Focus

The substantive focus of this study will be private sector development in developing countries. The inquiry rests on the assumption that markets are politically and socially constructed, rather than "natural" and inherently efficient. The implication for developing countries is that economic development may require the creation of competitive market systems with the capacity to produce economic growth and human development. Thus, governments in developing countries do have a responsibility in shaping and directing the trajectory of private sector development and the creation of competitive market systems that can provide long-term economic development (Liou, 1999: 1-18; Dibben, Roper and Wood, 2001: 1-9).

This study focuses on the state as a civil association in which the issues of power, bargaining, conflict, contestation and coalitions between interests over resources and ideas are important for understanding the implementation of policies, whether economic or social (Spicer, 2005: 353-362; Brown and Ashman, 1996: 1467; Cigler, 1999). Therefore, the focus is on the merits of strategic partnerships between the state and the market, and how the bargains are struck, the negotiations are conducted and the coalitions are forged, as well as conflicts resolved, with the aim of efficiently using scarce resources in the implementation of economic development policies (Exworthy & Powell, 2004; Sinclair, 2001: 78). Given the intrinsic imperfection of both the public and private sectors, the two can complement each other in ways that build effective operational synergies in policy implementation (Williamson, 1999: 13-18; van den Berg, 2001: 24).

Analytical Scope

The analysis focuses on a comparative study of policy implementation in Singapore and Botswana. The aim is to understand certain common characteristics of policy implementation across very different political and cultural environments. Although some commonalities in African countries' political leadership have already been identified by Heady (2001), there is not much effort at systematic comparative cross-cultural and cross-regional identification of commonalities in the interaction between political and administrative variables in the implementation of public policies (Umeh and Andranovich, 2001).

As explained, Heady (2001) has identified certain commonalities of political leadership in Africa, including: 1. a high degree of reliance on the political sector to achieve results in society, and; 2. imbalances in political institutions, with the public bureaucracy often playing a more dominant role than other institutions. Although his analysis is very insightful, Heady's focus seems to be on the broad issue of political leadership rather than specifically on the interaction of the political environment with public administration in policy implementation.

In developing countries, policy decisions and implementation tend to be highly political, because governments have limited ability to impose reforms. In some of these countries, even though policy implementation affects the fundamental question of what is to be done, how it is to be done, and how benefits are distributed (Brinkerhoff, 1996: 1395-9), decision making and implementation nevertheless tend to be largely top-down, non-participatory and confined to a narrow set of technocrats/interests. Secondly, government organizations generally tend to lack the ability to easily adapt to the tasks required by policy change and implementation (Crosby, 1996).

Hence, in the context of developing democracies, it is necessary to analyze power relations and the "power capabilities" (capacity and legitimacy) of policy actors and their interests and strategies as well as the characteristics of the regime in which they interact. It is crucial to address two subjects especially: first, public officials must face the problem of achieving compliance with the ends enunciated in the policy. Second, an intrinsic part of achieving policy goals in the implementation process is responsiveness--responding to the needs of intended beneficiaries in order to serve them adequately.

Main Themes

In order to integrate the above issues into a coherent analytical framework, the thesis is thematically organized in the following manner: the central theme deals with the nature of the state, by which one looks at its administrative capacity and institutional legitimacy to govern the economy along an articulated trajectory of development, particularly private sector development. The discussion also examines how the state adapts to changing trends in the domestic (and global) economy and in politics. The adaptation issue is also woven into the two themes already mentioned, allowing us to see how changing conditions (including globalization) of markets and politics affect the state's administrative capacity and institutional legitimacy in engaging the private sector for effective economic policy implementation.

Structure of the Discussion

The development of the thesis is as follows: In the next (second) chapter, I provide a conceptualization of state-market relationships, laying out a typology of such partnerships, with the resultant variations in the administrative systems that develop to govern these relationships. Since the premise of the inquiry is that economic development in developing countries requires the active participation of the state in the creation of competitive market systems, an effort is made to analyze and elaborate on the specific type of state-market partnership to which the thesis refers.

Chapter three provides a theoretical framework for the rest of the analysis, examining the existing literature on administrative structures and processes that govern economic policy implementation. Chapter four presents the research method that guided the data collection and analysis. Chapter five examines the case of Singapore, seeking to understand the nature of pragmatic economic management in this resource-barren East Asian country. In appreciating the spectacular economic development of Singapore from a "fishing village" into a newly industrialized high-income country, the analysis departs from the existing literature's focus on the country's model of export-oriented foreign-direct investment (FDI).

Chapter six then presents the analysis of Botswana. It examines the country's experience with pragmatic economic management, highlighting the significant role of the state in the process. The heart of the analysis is an attempt to assess the nature of state-market relations in economic policy implementation in this middle-income democratic country in the southern tip of Africa.

Chapters seven and eight bring together the two cases of Singapore and Botswana in a comparative analysis. They compare the nature of the two political systems, seeking to identify commonalities and differences in the features and processes that constitute administrative capacity and institutional legitimacy in economic policy implementation. These two chapters examine their respective models of market governance and how these states have engaged or networked with their private sectors in overcoming economic constraints and enhancing the operational synergies of economic policy implementation.

These chapters also comparatively assess how each state has managed to adapt its relationship with market actors in the face of changing exigencies of politics and their respective economies. The conclusion of the thesis is made in chapter nine where the above themes are synthesized. Lessons in economic policy implementation are also drawn, and, finally, recommendations are put forward.

Chapter 2
Conceptual Framework: State-Market Partnership

Introduction

This chapter begins with an elaboration of a typology of economic systems according to varying degrees of state involvement in the process of economic development. The characteristics of pragmatic economic management- a term referring to networks of collaboration between the public and private sectors functioning as mechanisms of economic policy implementation- are then spelled out. The last section conceptualizes the parameters of state-market partnership as a form of collaborative or network governance of the market among direct and immediate stakeholders in economic policy implementation.

Overview of the Discourse

After World War II, most development scholars defined development as economic growth, and adapted assumptions about Keynesian theory to produce what came to be known as modernization theory. By the end of the 1960s, modernization theory conceptualized development as "the successful deliberate transformation of the structure of an economy" (Caiden, 1991: 423)- and its proponents became known as "structuralists". Other critics refer to such an interventionist tendency as "statism" or "state activism" for its often aggressive and even violent anti-market stance especially in Africa and Latin America (Beeson and Islam, 2005). Among the key assumptions of structuralism or statism was its emphasis on the need for extraordinary intervention by governments through comprehensive planning to bring about desired economic and structural transformation. Statism tends to blur or violate the boundaries between the public and private (Joshi and Moore, 2004). It also, often, rejects the idea of supporting private mechanisms of economic exchange as a means to economic development, and insists on the direct public provision of goods and services.

The failure of state interventionism in much of the developing world led to the emergence of a new school of thought called neoliberalism (Tickell and Peck, 2003). This school specifically criticizes state interventionism as responsible for the domestic structural and policy inefficiencies of less-developed countries (Haggard, 2004: 68; Beeson and Islam, 2005: 199-200). Neoliberals primarily reject interventionist policies in which the state engages in productive activities to foster economic development. Proponents of this approach claim that it emerged as a reaction to the "distorted policy frameworks" of the 1960s and 1970s (Caiden, 1991: 425-429). As the term "neo" itself suggests, however, this approach has its older variant that goes back to classical economics.

By the turn of the 1970s, the neoliberal approach to development was already re-gaining global ideological dominance as a method of interpreting the causes of poor or weakening economic performance in both developed and developing countries across the world (Hewison, 2005). Africa is no exception, as states in that continent embrace and articulate market-oriented and state minimalist policies (Owusu, 2003: 1655-1672).

Neoliberalism has become a catch-all term embodying a wide range of market-oriented ideas that have consolidated over the past three decades (Robison and Hewison, 2005: 185).

In spite of the acceptance of neoliberalism and its variants as conventional wisdom, the developmental state has persisted (in various forms and with various degrees of economic interventionism), and still remains relevant today (Hundt, 2005; Esman, 1991: 460-1). The discourse in this study takes this position as its point of departure as it seeks to address the interrelationship between state-market partnership and economic policy implementation.

A Typology of Political Economies

The persistence of market-oriented approaches to development policy implementation seems partly to reflect not only a lack of intimate appreciation of the acute deficiencies of underdeveloped markets, but also, and more especially, an ideological discomfort with, or confusion about, the association between "states" and "markets". Appelbaum and Henderson's (1992: 18-23) systematic classification of such a relationship is instructive in this regard. They identify the following categories: "market rational," "plan ideological," "market ideological," and "plan rational".

It should be noted that the attempt at classifying such relationships is only for heuristic purposes or analytical clarity, since in reality such distinctions are often blurred. Moreover, any country can vary over time in its mixture of market and state interactions, which causes it to experience variations of mixed economies based on the exigencies of domestic and international economic policy.

Types of Political Economies		
	Market-oriented	**Plan-oriented**
Rational (pragmatic)	market rational	plan rational
Ideological (dogmatic)	market ideological	plan ideological

These various relationships could be concisely defined as follows: "Market ideological" is a type of political economy in which it is assumed that the smooth functioning of the market is, in fact, to the greatest advantage of the greatest number, and public policy is oriented towards pure free markets. This requires a politically passive and minimalist government in matters of legislation and decision-making. "Plan ideological" political economies (such as prevailed in former socialist countries) have as their dominant feature the precise setting of substantive social norms in which the all-powerful state determines who gets what. In "Market rational" political economies the regulatory functions of the state provide frameworks wherein investment, production, and distribution can operate relatively efficiently. "Plan rational" political economies are those in which state regulation is supplemented by state direction and stimulation of the economy, while the economy remains largely in private hands.

The neoliberal policies of the World Bank and IMF in the 1980s were market ideological, directed at dismantling the plan-ideological policies of most states in Africa and the developing world in the face of disastrous statist policies (Williamson, 1990; Herbst, 1990). Although the World Bank is increasingly forced to acknowledge some roles for the state in the market, its watershed Report of 1997 was restricted to market rational policies -- with essentially regulative and macroeconomic functions reluctantly ceded to states (World Bank, 1997). The present study takes an interest in pragmatic (plan rational) approaches to development, which emphasize interdependence of markets and public institutions: a system where the state actively engages in formulating and implementing purposive economic development goals and strategies, in close partnership with the private sector.

Turner (2006: 626-9) looks at various forms of national development planning, especially economic planning, laying out various degrees of state intervention, from more directive planning to passive or indicative planning (Turner, 2006: 626-9). Planning, he maintains, can be technical and political; it can be statist or strategic; it can be directive or indicative. It is not planning as such that has been the problem of pragmatic interventionist economic management but rather the implementation of development plans. Therefore, this thesis proposes strategic management as an alternative to the administrative pathologies that have crippled economic policy implementation in some developing countries (Kiggundu, 1996; Baker, 1991).

A key part of strategic management is the centrality of certain institutional relations and processes that occur between public and private stakeholders in the course of policy implementation (Goldsmith, 1996). Administrative capacity and institutional legitimacy are two dimensions that summarize such relations and processes between policy stakeholders in the public and private sectors (Cigler, 1999; Crosby, 1996: 1406-8, 1414). Strategic management relates to forms of public-private network governance and administrative mechanisms that enable governments to be more constructively involved in their economies (Snyder, Berry and Mavina, 1996: 1481). Through the government's involvement in and connectedness to the market, private sector actors, as organized interests, can be structurally integrated into collaborative policy implementation processes in ways that enhance positive synergies whose force is greater than the sum of the parts that constitute the cooperative implementation partnership. Strategic management requires forms of public-private network management systems that reflect a recognition that markets are politically and socially constructed. It thus requires a form of government entrepreneurship and a public managerial ethos that this study refers to as pragmatic economic management.

Pragmatic Economic Management

The subject of economic development raises the issue of mechanisms of production and exchange within a given market system. How can markets be made to allocate resources efficiently to guarantee the greatest productive capacity and efficiency leading to economic growth? Even more important for socio-economic equity, how can markets be extended to accommodate the interests and needs of the widest possible representation of economic interests with different levels of material, financial, human, and political resources? Addressing these issues requires a restatement of the fundamental axiom that markets are socially and politically constructed, and not a natural consequence of humans' instinctive tendency to produce and exchange (Polanyi, 1944: 30-48).

The conventional assumption about the 'invisible hand' of the market organizing economic development is, therefore, significantly flawed. Even in the case of earlier and more advanced industrialized countries of the West, David Landes (1998) has illustrated through a detailed analysis of global economic history over the past three hundred years that capitalism as we know it today is a political and social artefact in which the state was integrally involved. Polanyi (1944) also made the same point in his analysis of pre- and post-industrial England and the state's market-coordination activities involving business development, investment and trade leading to the formation of the global economy right after the Industrial Revolution.

Arguably, the socio-economic realities of countries in Africa, Asia and other developing regions, in their capacity as late developers, in their relatively underdeveloped or virtually non-existent market institutions, and in their peripheral position within a highly competitive global market economy, justify and, indeed, necessitate the "visible hand" of the state as a key agent of capital accumulation and resource allocation in pursuing economic development and trade liberalization. But to take that position does not imply a simplistic pendulum swing away from a market-oriented toward a statist anti-market posture. One must not, either, fall into the functionalist trap of assuming that because the state is "necessary" it will therefore have the inclination or the capacity to fill the required role. Remembering the disastrous outcome of the statist development that brought interventionism and planning into disrepute especially in immediate post-colonial Africa, should be enough to alert us to guard against such simplistic assumptions.

The specific modes of involvement of state organizations in social and economic processes consist of two types: namely, the parametric and the pervasive (Todaro, 2000). Parametric involvement implies a certain amount of autonomy for private economic actors and processes, and consists of the regulative, institutional and infrastructural functions of the state at a more minimalist and rather passive level. The World Bank tends to focus on, and acknowledge, this dimension of state relations with the market (World Development Report, 1997). Through pervasive involvement, on the other hand, the state more directly intervenes in the processes of resource allocation, strategic industrial investment, production, circulation and exchange. Pragmatic economic management combines both the parametric and pervasive modes of states' involvement in markets (Evans, 1992). A state that engages in pragmatic economic management could be referred to as a developmental state in the sense of the term as conceptualized by Chalmers Johnson (1982) and developed by Adrian Leftwich (1995). In the developmental state, the market is guided by a conception of long-term rationality of investment formulated by government officials. As Ziya Onis (1991: 111) puts it in his work on the *logic of the developmental state*, "it is the 'synergy' between the state and the market which provides the basis for outstanding development experience." The developmental state becomes involved in what constitutes an active enhancement of market capacity through targeted resource allocation to private sector actors (White, 1984) and coordination of their conflicting short-term interests towards longer-term systemic gains (Sen, 1999: 120) rather than mere macroeconomic adjustment and management, as neoliberalism or, even, augmented neoliberalism would imply.

According to Todaro (2000: 624), markets in developing countries are permeated by imperfections of structure and operation. Commodity and factor markets are often badly organized: therefore, in the absence of government intervention guided by well-articulated development goals, the market tends to lead to misallocation of present and future resources, and even to gross disparities between social and private valuations of alternative investment projects. Market signals can be misleading, and the operation of the free market may lead to much waste of capital, resulting from private pursuit of misguided, myopic enterprises, or private waste of social resources (Sen, 1999: 126-8). Within this context, governments' roles in strategically coordinating, reallocating and redistributing productive resources (Ake, 1996), guided by the logical imperatives of overall systemic market competitiveness and efficiency in different markets (Taylor, 1992: 214), cannot be minimized or dismissed. In a nutshell, pragmatic economic management emphasizes the centrality of the state – in partnership with market actors- in any meaningful conception of economic development.

State-Market Partnerships: Governance of Collaborative Networks

The discussion in this thesis avails itself of insights from the "institutionalist approach" in understanding the relationship between states and markets (North, 1990). The classic institutionalist tradition argues that markets are intertwined with social structures and the state (Polanyi, 1944; Weber,1948). It emphasizes the complementarity of state structures and market exchange, particularly with respect to industrial development. Paul Jackson succinctly elucidates the institutionalist perspective when he notes that "markets are inextricably embedded in a matrix that incorporates cultural understanding, societal norms and social networks...." (Jackson, 1999: 21). Given that market exchange is embedded in a complex network of social structures, the institutionalist approach seeks to synthesize elements of the state and market, essentially rejecting the illusions of both free markets and statist approaches (Nordlinger, 1987: 353).

It should be made clear that, for the purpose of this thesis, the institutionalist approach does not imply the mere creation of necessary institutional foundations for markets. Rather, I define it as the state being actively engaged in economic implementation that involves creating the requisite capacity in the private sector, serving as facilitator and promoter of market development, and coordinating the interests of economic actors to ensure the widest possible participation, by a broad range of entrepreneurial interests, that leads to broad-based economic development. Thus, our discussion of economic policy implementation emphasizes the connection between the state's policy implementing machinery and private organizations within the market.

Where this analysis departs from the conventional institutionalist perspective, however, is that it does not reduce the process of economic development administration or economic policy implementation to a search for a set of standard "efficient" or "best-practice" institutions (Evans, 2004) that could be universally applied irrespective of social, political and cultural context (Dunning and Pop-Eleches, 2004: 3). It does not, for instance, embrace the new managerial "paradigm" (Haggard, 2004) or its ideal-typical variants (Roland, 2004) without careful empirical examination of local domestic structural and societal contexts (Caiden, 1991: 370-377; Dunning and Pop Eleches, 2004).

Institutional changes in the search for greater effectiveness in policy implementation should be viewed as more incremental and historically contingent than universal (O'Toole, Jr., 2004; Page, 2001). A good example of this fact is the persistence of the administrative state in parts of East Asia, with a focus on the hybridization of administrative and managerial components of public sector reform instead of a wholesale embrace of "managerial paradigms" (Painter, 2005).

This study seeks to identify and examine certain institutional properties and policy processes that highlight the relational interaction between formal institutions and local social, political and economic settings, emphasizing key relational properties that characterize the state's "partnership" with private economic actors in promoting systemic market competitiveness and industrial development. Therefore, state-market partnerships encompass a more hybrid and diverse expression of interorganization cooperation between state agencies and organized private interests (Joshi and Moore, 2004: 32). These interorganizational co-operations are mostly formal as well as informal strategic networks of relationships between the state and private economic actors or business groups, evolving from diverse experimentation in different social settings and incorporating multi-actor arrangements.

State-market partnerships can provide collaborative advantages in three different ways (Bovaird, 2004: 207): first, providing economies of scope or the ability to exploit more fully the complementary capabilities and competences that exist in the partner organization(s); second, providing opportunities for mutual learning between partners that may be intended to lead to long-term dynamic process or interchange. In developing countries, public-private partnerships could, potentially, bring about a profound transformation of methods of state intervention. Such a transformation would be derived from a multiplicity of partnerships based on solidarity between the public and private sectors (Sedjari, 2004: 292). As Carroll and Carroll (2004: 19-24) observe, public-private partnerships enable the legitimacy of public policies to be strengthened through greater collaboration with business organizations (among other groups) in the definition and implementation of policies with which they are concerned.

State-market partnership can be viewed as part of network forms of governance or "network management" in policy implementation. According to Meier and O'Toole Jr. (2003: 690), a "network" is a "pattern of two or more units, in which not all major components are encompassed within a single hierarchical array.... Many of these complex arrangements are required or strongly encouraged by policy makers through interagency ties, intergovernmental links, or mandates for public-private partnership." McGuire (2002: 600) defines networks as "public policy making and administrative structures involving multiple nodes (agencies and organizations) with multiple linkages."

The distinction needs to be made between social networks or informal patterns of interaction and structures through which policies are formulated and implemented (Boyte, 2005). The above-mentioned authors are interested in the latter meaning, and refer to more formal structures of collaboration. Mandell et al (2004: 367) identify some key characteristics of formal networks: they have a common mission and unique structural arrangement, and their members are interdependent. Networks range from simple to complex partnerships (Brett, 2003), including interlinked collaborators in policy formulation and implementation, financing units, case management bureaus, and support organizations, among others.

Private sector policy stakeholders consist of firms and entrepreneurs who serve as organized private actors within the market sphere or a certain economic sector (Knutsen, 2003). This study defines the "market" as consisting of aggregates of economic activities forming a constellation of social relations of production and exchange (Knutsen, 2003: 558-9). Thus, markets are viewed not merely as economic relationships, but also as social fabrics of knowledge creation and transfer (Morosini, 2004: 306-9, 314; Hewison: 326). For instance, the literature on industrial clusters has detailed how manufacturing business interests interact in ways that constitute an "associational economy" (Morosini, 2004: 309; Caniels and Romijn, 2003: 130) that transcends micro-level firm competition, and is evolving towards strategic sector-growth and capacity building coalitions (Sonobe, Hu and Otsuka, 2002: 119-121). Such cooperative social relations are consolidated through communication rituals, knowledge interactions and professional rotations of skilled personnel across firms (Segal and Thun, 2001: 560-562). The above conceptualization of markets also provides an analytical lens through which markets can be seen as involving a deliberate process of social and political construction (Robison and Hewison, 2005: 189).

Conceptualizing markets as constellations of social relations produces an analytical framework through which private sector actors can be observed as organized interests, often manifesting in business associations or even trade unions. For the purpose of this thesis, understanding network governance as mechanisms of policy implementation means investigating administrative structures and processes that integrate (or disintegrate) organized private sector interests with public agencies' strategic mandates of market coordination and capacity enhancement.

In conclusion, governance of networks provides alternatives to the markets-versus-hierarchies debate by blending the two approaches (Considine and Lewis, 2003). Network governance is distinct from contracting out for service delivery. The challenge with network management is that the trajectory of policy implementation is often nonlinear and highly unpredictable, given the diverse interests and the challenges of seeking compromise and consensus (Crosby, 1996: 1403). Different outcomes can emerge based on circumstances. Therefore, the emphasis is on understanding how processes change as attention shifts to new structures of governance through horizontal networks of public private collaboration, as opposed to rigid hierarchical decision making by the state (Bingham and Nabatchi, 2005).

The goal, then, is to examine how state-market partnerships translate into structures and processes of collaborative economic policy implementation. If state-market partnerships are to achieve expected results, changes in governance processes are inevitable (Brown et al, 2004; Svara, 2001). Emphasizing the centrality of processes takes seriously the complex nature of partnership forms of market governance, where the state must incorporate the inputs of partners outside its traditional institutions of economic policy implementation. The next chapter, then, deals with capacity and legitimacy in policy implementation.

Chapter 3
Capacity and Legitimacy in State-Market Partnership

Introduction

This chapter builds on the previous one by providing a more comprehensive theoretical framework to guide the development of the themes and issues already raised. The next section deals with the often convoluted process of state-market network governance in economic policy implementation. That is followed by the presentation of the study's hypothesis, which is that *administrative capacity* and *institutional legitimacy* are the two fundamental ingredients that determine the success of state-market network partnerships in economic policy implementation. The rest of the subsections in this chapter define the concepts of *administrative capacity* and *institutional legitimacy*, and then elaborate on the variables that characterize these concepts.

Administrative structures and processes determine the organizational capacity of the state to engage non-state policy stakeholders in implementing certain policies, whether economic or social (Caiden, 1991). In the area of economic policy implementation, the configuration of administrative systems in terms of relationships between economic ministries and development agencies, on the one hand, and organized private actors, on the other, affects the capacity of a government to build coherent and comprehensive financial, technological, and information networks for systemic competitiveness. Moreover, a government's legitimacy to govern the market will determine its ability to enlist the support and collaboration of societal actors (as constellations of diverse interests and ideas) to respond and react to the state's economic development policies. Therefore, the state's institutional legitimacy is central to the building of public-private networks that could translate (or fail to translate) into positive synergies leading to aggregate industrial growth and long-term economic development.

Two hypotheses have thus been generated: *First, the capacity of a country's machinery to coordinate the interests of stakeholders affects the successful implementation of economic policies. Second, the degree of the state's institutional legitimacy-- the state's credibility, competence and authority to govern markets-- will directly impact the success or failure of the state's effort at mobilizing network partnerships as frameworks through which economic policies are implemented.*

The rest of the chapter will elaborate further on the foregoing hypotheses. Each will be addressed under a sub-topic.

Administrative Capacity

The question logically arises of the reasons for the success or otherwise of approaching pragmatic economic management through the developmental state in partnership with the market. Laissez faire capitalism is rejected by pragmatic economic management as the state undertakes the responsibility of a "senior partner" in partnership with the private sector. No "partnership" is without its tensions and problems, and the success of state-market partnership can be evaluated in two ways: first, by judging the administrative capacity of the state to strategically engage market interests; and second, by determining the extent to which the private sector recognizes the legitimacy of the state to actively govern the economy.

The issue of administrative capacity further raises the classic questions of the state's policy implementation effectiveness and efficiency (Juran, 1944: 38, 76-8), and of how to identify the determinants of public sector effectiveness and capacity (Rowat, 1953: 23-31). Fundamentally, it is about strengthening and positioning institutions and organizations towards more effective coordination and coherence of policy implementation (Adamolekun, 1996: 4-5).

Administrative capacity in building effective public-private networks becomes an even more pressing factor in light of the complex nature of economic policy implementation in the context of globalization and its pressures towards a reconfiguration of markets and their actors (Brinkerhoff, 2002: 324). Under such conditions of market restructuring and loosening of domestic economic boundaries, the complexities of economic management tend to increase (Hood and Lodge, 2004: 313- 320). The ability of states to manage their domestic economies has come under severe strain imposed by the international fluidity of capital, easier movements of labour, and transformation of production processes with the domination of multinational corporations (MNCs), which now insist on rationalizing their operations across borders and, even, regions, rather than concentrating them within a particular economy (Wallis, 2003: 224). As Jreisat (2005: 236) puts it, "globalization has altered the context of public administration and necessitated a reexamination of many of its premises and tenets."

Against the background of globalization, it is important to ask the question of how the state can really have what it takes to provide leadership in market development (Jreisat, 2005: 231-7). How does the state position itself as a mediating mechanism between international and domestic market forces (Thynne and Wettenhall, 2001: 651)? What kinds of institutional capacities should the state have in order to effectively govern its economy in a globalized market?

According to the UNDP (2003), capacity involves the ability of organizations to perform functions, find solution to problems and achieve articulated goals. Hope (2006: 589) defines capacity as "the competency of individuals, public sector institutions, private sector entities, civil society organizations, and local communities to engage in activities in a sustainable manner that permits the achievement of beneficial goals such as... efficient service delivery, good governance, economic growth, [and] effectively facing the challenges of globalization...." The Canadian International Development Agency (2000) provides a comprehensive definition of capacity that refers to the abilities, skills, understandings, attitudes, values, relationships, behaviors, motivations, resources and conditions that enable individuals, organizations and networks to achieve the tasks they have set out to accomplish.

State-market partnership in the process of policy formulation and implementation has by some scholars been skeptically assessed as fraught with problems. Some fear that state-society relations of this sort often end up in some degree of cooptation of societal actors (Tugwell and Banfield, 1950: 49-51) in order to legitimize technocratic policies processes as "participatory", or as creating shallow policy input mechanisms that are mere exercises in legitimizing elite decisions (Peters, 2001: 692-3).

On the other hand, O'Toole Jr. (2004) laments the "dark side" of public management networks, which can include cooptation of societal actors by the state, on the one hand, or capture of the state by powerful societal interests on the other. Thus, Vigoda (2002) advocates focusing on collaboration and citizen "ownership" of policies. The concept of citizen "ownership" as articulated by Vigoda is, however, rather vague inasmuch as it does not spell out in practical terms how it enhances policy implementation. Vigoda does, though, provide an insight useful to this study's emphasis on building synergistic relationships between states and markets that constitute a partnership or collaboration in which there is some form of reciprocity in policy implementation between public agencies and organized societal interests within a given policy area.

How, then, can the state effectively engage with, and benefit from, the competencies of the private sector as partners in economic policy implementation? Is it possible to combine network partnership between states and markets, on the one hand, and hierarchical implementation of economic policies on the other? Moreover, given that the strategic arena of public administration in a globalized policy environment is already complex enough, how can public managers develop partnerships with the diverse interests that constitute the market? The main answer to these questions is that in the area of economic policy implementation, the real priority is to build the organizational and managerial capacity of the public sector, and to embed these public agencies within the market.

The administrative machinery of the state needs to be made more sensitive to relational dimensions of public management where communications, personality and cultural characteristics play significant roles in collaborative multi-stakeholder implementation processes that highly involve negotiations, bargaining and consensus (Brinkerhoff, 1999). It often involves the ability of the state to influence and motivate the behaviour and preferences of its strategic partners outside itself in ways that translate targeted policies into acceptable programs that policy collaborators could "own", and embrace (Crosby, 1996: 1403). In the context of state-market relations, such a capacity enhances the ability of the state to build strategic partnerships with economic policy stakeholders in ways that will not compromise the active leadership of the public sector in the management and implementation of public policies and programs (Brown and Ashman, 1996: 1467; Cigler, 1999)

Some scholars have characterized network form of governance as one where there is "no one centre," but, rather, there are multiple centres of power (Teisman and Klijn, 2002). The danger with such a framework of market governance could be the tendency towards fragmentation of policy and loss of autonomy and control of economic development. The imperative of state leadership cannot be minimized or dismissed (Snyder, Berry and Mavina, 1996: 1481). Horizontal partnership can operate alongside hierarchical systems.

Horizontal mutuality does not displace the reality of an intra-organizational hierarchy in the public service, given the need for the state (and private actors) to maintain organizational autonomy (Brinkerhoff, 2002). Nevertheless, state-market partnership requires actual transition from bureaucratic authoritarianism and technocratic policy implementation to close collaboration with economic policy stakeholders or market actors. Such a mechanism of governance includes collaborative processes, as well as institutions. Under such conditions of market governance, traditional bureaucratic forms of policy implementation may be inadequate to handle processes of state-market collaboration.

The Inadequacy of Bureaucratic Management:

The issues surrounding processes of governance that lend themselves well to the maximization of state-market synergies bring into question the appropriateness of rigid bureaucratic systems of policy implementation. Concerns about administrative capacity to enhance implementation are not new, and there are numerous demands and suggestions for reform of public bureaucracies and public services, with various specifications given on restructuring or reorganizing the public sector to enhance its capacity for implementing policies (Adamolekun, 1996: 5-7). While some of the recommendations for reform have proven useful, it cannot be said that bureaucracies are necessarily problematic. Rather, one needs to examine specifically why overly hierarchical top-down administrative structures are ill-suited to state-market partnership as mechanisms for economic policy implementation.

Bureaucracies have been referred to as "agents of the state... [and] the political structure that has supreme civil authority and political power and serves as the basis of government of a people...." (Merriam, 1991: 273). There are several views about bureaucratic power (Koehn, 1991: 240). One of them is positive, especially about bureaucracies in developing countries, where the public administration is seen as the glue that has prevented the political system disintegrating since the end of colonialism. Moreover, the strength of bureaucratic systems is that they are often well rooted in the normative foundation of public administration in democratic polities (Blau, 1956), which rests on regime values, constitutional theories and citizenship theories, among other things (Cooper, 2004: 396). Boundaries serve many purposes. They establish in clear terms who has legitimate access to certain decision-making arenas, and who is responsible for what. They make it possible for those who occupy senior positions to exercise control and hold subordinates to account for their decisions and activities.

Rigid administrative systems, however, sometimes suffer from some of the deficiencies of overcentralization and top-down hierarchies that may work well for macroeconomic management (Rahman and Thai, 1991) but prove stagnant and, even, moribund when it comes to dealing with the dynamic complexities of economic diversification through partnership with private actors (Brinkerhoff, 1996; Good 1996: 53-72). In overly centralized and hierarchical bureaucratic organizations, these established boundaries can adversely affect the state's ability to engage the private sector in achieving successful economic policy implementation. Too rigid a hierarchical relationship between certain ministries and their field agencies tends to constrain the autonomy and managerial flexibility of the latter in entering into strategic partnerships with implementing partners outside of the state's traditional institutions (Granberg and Parkinson, 1988). Paradoxically, such hierarchical rigidity also tends toward a lack of unified or unifying organizational vision or culture (Carroll and Siegel, 1999), and creates a situation where one finds divisions in orientation and perspective not only between the state and its "partners" but, also, between ministries and public agencies (or street-level bureaucrats), as well as among public agencies that are supposed to have interrelated and synergistic mandates.

Strategies and recommendations for reform have been various. Not surprisingly, the conventional wisdom of privatization provides an attractive alternative in the face of simmering disenchantment with policy implementation (Garcia-Zarmor, 1991: 435-442). The underlying assumption is that shrinking the state will create space for market actors who will step in and do what the government has been doing-- or has failed to do effectively (Cunningham and Adwan, 1991). Guy Peters (1991: 390-394) identifies the following possible reforms: "loadshedding" (which is basically privatization and deregulation); snakes and ladder (a form of reorganization that focuses on decentralization); and new managerialism (proponents of which tend to recommend its indiscriminate application across ministries and agencies).

As part of the new managerialist package of reforms, several specifications for the enhancement of public sector productivity include: structural reforms (especially through privatization of state agencies); procedural reforms (including performance management systems, organization and methods, and even Work Improvement Teams, or WITS, in countries like Singapore and Botswana) (Blunt, Jones and Sharma, 1996). There are also suggestions for relational reforms (as in strengthening the mechanisms of accountability between parliament and the civil service, the executive and the civil service, and the public and the civil service) (Peters, 1991: 387-9).

One needs, however, to be cautious in advocating for sweeping reforms ignited by some of the ideas of institutional and administrative reform (Coker, 1922: 409-11). Lynn (2001) also raises an objection to the claims of a "new managerial paradigm" to be a panacea for the incapacity and ineffectiveness of public administration and policy implementation. Through a careful documentation of classical and contemporary public administration scholarship, he maintains that traditional thinking has exhibited far more respect for law, politics, citizens, and values than the new managerialism and its variants.

In the same vein, Farazmand traces global trends in public sector reform, examining the interaction between globalization and global reforms, and the new obsession with the new public management (NPM) as again the panacea for the deficiencies and failures of state implementation capacity and development management. He advocates for the mixed model of governance and administration, with an implicit recognition of the need to integrate politics and administration -- more especially, to situate public sector reform within a broader context of political culture (Farazmand, 2006: 546-557). Klingner, too, records the intellectual evolution of development policy implementation from the early obsessions with development administration, through the attendant disillusionment with results, to the new response with the emergence of comparative administration (in intellectual circles), development management (among practitioners), and international public management (among international financial institutions) (Klingner, 2006: 642-651). It echoes the political development movement with its structural functionalist assumption and fallacy of universalism and ethnocentrism

(Eaton, 1991). The above observations provide a useful guard against wholesale transfer of packaged institutions as the new paradigm or 'best practice".

Rather than acclaiming the "banishing of administration" and the "shrinking" of the state through forms of privatizations, one needs to acknowledge that neither the public nor the private sector is intrinsically superior, thus necessitating some hybridization as a mechanism for enhancing public sector effectiveness (Esman, 1991: 465-7). The present study focuses on enhancing administrative capacity in policy implementation through the cultivation of organizational coherence as well as policy autonomy in the public sector, especially among public agencies that operate at the strategic interface of private sector development policy implementation. Therefore, two significant properties of institutional capacity in pragmatic economic management are as follows: first, public agencies' ability to maintain organizational coherence in engaging and coordinating market actors away from being a disarray of fragmented, atomistic economic actors toward becoming a systemic entity whose synergy is greater than the sum of its parts; and second, the relative policy autonomy of implementing agencies from rigid and stifling top-down overcentralized processes, on the one hand, and bottom-up special interest penetration and parochial political pressures on the other.

Organizational Coherence as a Dimension of Administrative Capacity

This section focuses on organizational coherence while the next deals with policy autonomy. The extent and complexity of policy implementation raises the subject of the age-old challenges of coordination and control -- and these problems are not unique to government, but characteristic of any large-scale organization, public or private (Rowatt, 1953: 31). In the classic Weberian logic (Weber, 1948; Rueschemeyer & Evans, 1985: 50; Evans, 1995: 68, 78-80), the existence of an extensive, internally coherent administrative machinery is an indispensable prerequisite for state action.

Having an administratively effective and technically competent bureaucratic machinery is key to the state's capacity to intervene and manage the economy (Beesan and Islam: 213). Also, in order for the state to engage in capitalist economic transformation, the workings of the administrative machinery must link up with the workings of markets. This means that beyond the state's material and financial resources, it is also important that core officials within the agencies be able to share and exchange ideas and information with private actors about market variables and their interaction.

Coherence and coordination are especially complicated by size and time in the performance of a great task (Gulick, 1937: 4-8), especially in a larger context like private sector development within a wider national market. Caiden (2006: 578-9) also raises the issue of structural and policy fragmentation in policy implementation. This is particularly true of pragmatic economic management as contemporary governments and markets become increasingly specialized. Administrative capacity requires that the state's administrative machinery maintains coordination and integration of field services (or agencies) in which multiple activities are systematically interlinked by integrated organizations (Tom Christensen, 2003: 385-400). By this, administrative coherence ensures a longer time horizon and thematic consistency in policy implementation among numerous government and business sectors (Kristen Nordhaug, 2006: 207). Administrative coherence also ensures streamlined and well-integrated processes not only within and among ministries, but also between agencies and among agencies and ministries (Thynne and Wettenhall, 2001: 647). Given the complexities of private sector development policy implementation, coherence and integration of field agencies is justifiable (Thelen and Kume, 2006: 11-20; Goodrick, 1949: 275-77), particularly in the management of interorganizational relationships as well as actual tasks.

Although structural and process coherence is essential for all organizations within the administrative machinery, including ministries giving the commands to agencies (Rethmeyer, 2003; Thynne and Wettenhall, 2004), nevertheless, the need is even higher in public agencies, since they have a particular tendency to become too narrowly focused on their own mandate to the exclusion of other agencies from the bureaucracy. Moreover, coherence is particularly challenging in private sector development policy implementation, given the multidimensional nature of market development. Thus, there is need for a particular focus on maintaining institutional, structural and process coordination and to guard against fragmentation among public agencies responsible for private sector development. Policies need to be coherent not only in their formulation but also, perhaps even more significantly, in their implementation. Whereas coherence in policy formulation can be ensured through planning (Urwick, 1944: 38-40), it is in the implementation stage that problems of fragmentation, duplication and stagnation often occur.

In a nutshell, ensuring coherence in policy implementation requires interlinked structures and coordinated processes. And as is well argued by Simon (1946: 58-61), this task is made even more complicated by the tensions between the imperative of coherence on the one hand and the logic of specialization within and between organizations on the other. The tension is, moreover, hardly any less whether one hopes to achieve coherence by reorganization of systems according to purpose, process, clientele, or place (Simon, 1946: 60).

Organizational coherence and coordinated processes also require paying attention to the informal aspect of organization – i.e., that social dimension that captures the sentiments, values, norms, and sheer force of personalities into a collective. Public agencies in particular, and the civil service in general, are social organizations or relations. Strategic management utilizes the logic of selective socialization of public agents and private actors into the norms and values of an organization (Hood and Lodge, 2004: 313-5; Roethlisberger and Dickson, 1939: 556-60). This means that strategic management deals with the non-rational calculus of policy implementation -- that is, going beyond the logic of instrumental rationality to deal with relational dimensions of communication, framing of ideas, use of symbols, organizational identities and building shared norms.

Policy Autonomy as a Dimension of Administrative Capacity

Another dimension of administrative capacity for policy implementation is the policy autonomy of public agencies, from overly centralized control by ministries, on the one hand, and state penetration and capture by powerful societal interests on the other

(Siedman, 1952: 93-6; Cole and Jones, 2005: 567-570). Thus, policy autonomy is two-dimensional, i.e., top-down as well as bottom-up: first, there is the relative operational space around public agencies that protects them from bureaucratic and executive interference, leading to a greater agency discretion in managing collaborative relations or partnerships with market actors in economic policy implementation; and second, there must be sufficient insulation from market actors to enable agencies to strategically direct and coordinate the diverse and, often, conflicting interests that constitute the private sector (Christensen, 2001: 457-460).

One can envisage combining top-down and bottom-up autonomy, leading to a relaxation of bureaucratic rigidities, with the movement of state activity "outwards" and "downwards" to the market community for the purpose of enhancing the management of partnerships, fostering participatory processes without the state necessarily losing its control over the trajectory of economic development (Thynne and Wettenhall, 2001: 651).

Policy autonomy for public agencies is significant for implementation capacity because they constitute the strategic interface or level at which public servants engage the market. Agencies need to have the autonomy and operational discretion in decision-making in the interpretation of policies, given that they must be able to make judgements and quick decisions on dynamic issues of private sector development in a highly competitive global market environment. The challenges of managing complex modern economies in a competitive market environment require such operational discretion for agencies at the interface of public and private partnership. It is worth noting that the point being made here focuses on public agencies concerned with market development (as distinct from service delivery public enterprises). Autonomy and discretion for market development agencies is necessitated by the technical and complex nature of the subject matter of economic management. Economic management, by its more technical, dynamic and highly interrelated nature, requires greater discretion from public servants than in other issues, such as social policies.

As maintained above, however, operational flexibility and established market linkages by public agencies must coexist with some insulation against state capture in order for the state to translate its broad national goals into coherent and effective policy actions (Evans, 1995: 78-80). In fact, in the absence of operational autonomy, public-private cooperation easily degenerates into situations in which state goals become directly reducible to private interests (Onis, 1991: 114). An autonomous state, according to Nordlinger (1987), is a strong state able to negate short-sighted, conflicting, and particularistic societal demands -- and the greater the resistance the state is able to overcome, the greater its autonomy. In this light, autonomy makes it possible for the state to coordinate the parochial and atomistic interests of private economic actors, and to alter the social and economic structure along the lines of its overall strategic development policies.

Critics have long questioned whether the policy autonomy of public agencies does not create a tendency towards the compromise of administrative responsiveness and sensitivity to their partners' needs (Glazer, 1946: 81-5). Some critics also fear that focusing on autonomy may even overlook the danger of manipulation of state-market partnership by agencies through the conditioning of 'partners' perceptions and preferences rather than a deliberative exchange of views on both sides.

Policy autonomy should, however, be viewed as relative autonomy or "embedded autonomy" (Evans, 1995). In other words, it is less concerned with maintaining the state's control over society, and more focused on preserving relative space for the administrative machinery to be able to manage state-market organizational linkages or forms of horizontal partnership in policy implementation. Autonomy is related to coherence inasmuch as if the agencies and policies are not well coordinated and integrated, their multiple activities could degenerate into fragments of specializations within narrow areas of private sector development that fit each agency's mandate (Skelcher, 2005: 89-94; Millett, 1945: 106-08). Thus, in conclusion, administrative capacity geared towards improving organizational coherence and operational autonomy is important to the success of economic policy implementation.

Strategic Management: Integrating Coherence and Autonomy

An assessment is in order of the nature of the management most appropriate to building the requisite organizational coherence and operational autonomy for institutional capacity enhancement (Farazmand, 2001: 7-8). In this thesis, strategic management is defined as the mechanism by which the state's policy implementing machinery can acquire the organizational coherence and policy autonomy that constitute the components of administrative capacity for pragmatic economic management through network partnership with market actors.

Strategic management conditions the policy implementation environment for administrative capacity that allows for the operation of state-market partnership in ways that do not compromise the leadership of the state or conflict with some level of intra-organizational hierarchical systems within the administrative machinery of the state (Meier and O'Toole Jr., 2003; Rondinelli, 2006: 399-400). Organizational coherence and autonomy are the intrinsic ingredients, as well as the purpose, of strategic management of networks of state-market partnership (Nordhaug, 2006: 208-9).

Attaining the potential gains that may ensue from network partnerships between states and markets requires paying close attention to certain dynamics of horizontal management that are quite distinct from the traditional hierarchical or vertical-type relationships with which most governments are more familiar and comfortable (Schofield, 2004, Sedjari: 293). Strategic management redirects the processes of government towards addressing the challenges of managing programs that are delivered by more than one organization or entity (Barrett, 2004). It takes seriously new forms of capacity that lend themselves to such interorganizational management of policy implementation, which is so often ignored (Crosby, 1996, 1403, Brinkerhoff, 1999).

Mark Sproule-Jones (2000: 96) observes that "despite the ubiquity of multiple inter-organizational situations, and the apparent growth of partnerships by government with non-governmental organizations, there is no consensus about the dominant strategies and skills set of managers." Sproule-Jones maintains that managers must develop skills for strategic collaboration in horizontal management structures. The operational rules under strategic management centre upon workflow interdependencies and the imperatives of consensual or collaborative agreements will dictate strategies and skills in overcoming obstacles to the interdependencies in question. This will require a reconceptualization of responsibility; among other things, to include not only vertical but, also, shared or "co-responsibility", and an emphasis on collaborative leadership as requisite management skills.

Snyder, Berry and Mavina (1996, 1481) suggest certain elements that need to be considered in multi-stakeholder policy partnership frameworks, including the following: a) client and stakeholder participation in the design and implementation of policies; b) strong leadership to act as a voice for the various interests (especially weaker ones); c) clear statement of strategic goals; d) appropriate choice of implementing agency; and e) improved organizational capacity, particularly mobilization of stakeholders.

One could make a case for the significance and practicality of developing the institutional capacity for strategic thinking both within public organizations (the public sector) and the external environment within which they operate. As Kiggundu maintains, the goal is to shift emphasis or approach to policy implementation away from "firefighting" to more proactive engagement of stakeholders (Kiggundu, 1996; Goldsmith, 1996).

Morton (1996: 1441) notes that strategic management involves an assessment of the environment, awareness of what is at stake and who the stakeholders are, and adapting actions so that winners will find their roles maximized while losers are neutralized or co-opted. Strategic management involves collaboration of various organizations within and outside the public sector. Yet strategic management needs to be context-specific, given the cultural factors that affect how public managers interact with their external environment.

Strategic management also requires operational flexibility for public agencies that are supposed to be actively engaged in strategic policy implementation in close partnership with private actors. But such managerial discretion need not apply to all public agencies. It applies more appropriately to agencies responsible for private sector development, because such agencies are unique and distinct from public enterprises that deliver social services (Dimock, 1949: 1162-50). Moreover, the distinction must be made between private sector development agency personnel and bottom level bureaucrats within ministries and departments. The focus here is on the former.

Managerial discretion is necessitated by the very technical and dynamic nature of these public agencies' mandate to develop the private sector. Their function and mandate is not service delivery; it is economic development management. For instance, in implementing industrial development or private sector development policies, such agencies require the organizational flexibility and managerial discretion to make judgements on the fast changing needs and exigencies of markets with regard to things like qualification of public loans or grants, nurturing small businesses, attracting foreign direct investment, and creating export markets. In essence, what these agencies need is what we have called "strategic management skills" that are necessary for the management of relational networks and processes in the implementation of policies of a technical and dynamic nature like private sector development (Ruffing-Hilliard, 1991: 302-3).

Strategic management need not diminish public administration's concern with procedures or due process (Goldsmith, 1996). Instead, it integrates the two, so that traditional values of equity and due process are inculcated into the managerial systems of public agencies engaged in private sector development (Jain, 2006: 531-5, 538-542). But how does strategic management in implementation processes address the challenges or problems of coherence and coordination, while at the same time, dealing with bureaucratic red tape and other pathologies? Strategic management focuses on the cultivation by public managers of critical operating skills that include the balancing of technical, organizational and political astuteness and agility.

Seen through the lens of strategic management, administrative capacity is primarily about policy and institutional coordination, analysis and communication within and among public agencies and ministries, and with key implementing partners (Adamolekun, 1996: 8-10). Strategic management allows for network forms of governance while at the same time recognizing the imperative of hierarchy and due process in the public sector. Therefore, it gives administrative expressions to "mixed economy" models of pragmatic economic management in which the state and market closely coexist. It also provides an alternative to the market-versus-hierarchies debate by blending hierarchical and horizontal governance (Thelen & Kume, 2006; Considine and Lewis, 2003). Strategic management reorients processes of governance towards horizontal networks of public-private collaboration that does not conflict with the hierarchical arrangement of ministries and departments. It incorporates processes like deliberative democracy through its emphasis on collaborative policy implementation (Bingham, Nabatci and O'Leary, 2005).

In conclusion, strategic management allows for a transition from bureaucratic authoritarianism and technocratic policy implementation to network partnerships between public and private policy actors. Yet it rejects the notion of "no one centre" by which policy implementation becomes a fragmented process of pure horizontal units where the state cannot provide any clear and decisive leadership (Aberbach, 2003: 373-385). It taps the ingenuity and skills of non-state actors and exploits the advantages of the market without necessarily "liquidating" or shrinking the state. It includes processes as well as institutions, inasmuch as it concerns itself not merely with structural reorganization but, more important, with process reorientation at the strategic interface of the public and private -- in other words, at the very centre of policy implementation -- where the state meets the market, and where economic policies become private sector development programs and projects.

Institutional Legitimacy

Administrative capacity, however, is only one component of state-market network partnerships in economic policy implementation. As maintained earlier, in order to maximize the success of pragmatic economic management through state-market partnership in policy implementation, the state needs to also have what this study refers to as institutional legitimacy. As hypothesized above, the degree of the state's institutional legitimacy -- a function of public agencies' social embeddedness within the market, on one hand, and economic actors' perception of the state's credibility, competence and authority to govern the market on the other -- will directly impact the success or failure of the state's effort at economic policy implementation.

In implementing private sector development policies, the state needs to possess a reasonable degree of institutional legitimacy or authority to govern the wide range of interests and ideas that exist within markets. Montgomery's (1991) notion of the "strategic environment" of public managers provides an insight useful to this study's conceptualization of the fundamental elements that affect how the state maintains the legitimacy of its public managers or agents to govern the market and its interests: The strategic environment, according to Montgomery, consists of the links that public managers establish with the general public or special publics and informal groups that are affected by the policy being implemented.

One of the pitfalls of pragmatic economic management is that a system is created where it is not the elected representatives that direct the activities of public officials, but instead one where technocrats tend to direct the lives and, even, thoughts of the people in the name of "development." The significance of politics in maximizing the success of economic policy implementation cannot, however, be overemphasized (Kuye, 2003, White, 1989). Having economic development policy implementation guided by competent experts in relatively autonomous agencies does not presuppose the absence of democratic politics and policy processes (Finer, 1945: 36-42; Lam, 2005: 633-640). On the contrary, having an activist state that is engaged in private sector development in a democracy must grapple with the reality of citizens' preferences, ideas and interests (Jacobson, 2006: 303-315). Successfully directing economic policy requires that the administrative machinery deal with the "strategic environment" of the general public that constitutes the citizenry, as well as with special interests or the "special public" (Montgomery, 2006) within the market arena (Cheung, 2005: 257-260). This means emphasizing the centrality of process, and moving towards a reconciliation of the dichotomy of politics and administration.

An Integration of Administration and Politics

Politics is a necessary part of public administration, the means by which the governed exercise control over those who govern them. The march of democracy has meant the gradual recognition and extension of this right of ordinary people to participate effectively and control their own affairs through what may be termed self-government (Gaventa and Cornwall, 2001). Politics and administration are, therefore, inseparable in a democracy (Svara, 2001; Gulick, 38-9). It is the tendency to treat the political variables of public administration as irrelevant that partly accounts for the inclination of interventionist states to be characterized by bureaucratic authoritarianism and centralized administrative systems (Jain, 2006: 530-1).

The imperative of *institutional legitimacy* as a factor influencing the success of economic policy implementation necessitates making the transition from bureaucratic authoritarianism and technocratic policy implementation to engagement of citizens in general, and policy clients in particular (Irvin and Stansbury, 2004: 55-63). It necessitates an emphasis on understanding the processes by which governments engage the public, command their trust and acquiescence (Gould, 1991) and, even, motivate them to comply and cooperate with development plans and policies (Boyte, 2005). The political culture of the strategic environment provides a crucial lens for understanding state-market partnerships as attention shifts to new structures of governance through horizontal networks of public-private collaboration, as opposed to hierarchical decision-making. Such processes include deliberative and collaborative policy implementation (Bingham, Nabatchi and O'Leary, 2005).

Several scholars have in the governance and participatory development literature developed various insightful concepts that capture the positive synergies that flow from sustained network and policy dialogue between states and societal interests. Carroll and Carroll (1999: 2-4; 2004: 14) envisage "civic networks" consisting of certain forms of policy engagement between states and societal interests, including private sector actors. And as Jackson (2001: 26) also notes, "it is precisely the pooling of know-how over a range of actors encompassing public and private societal actors which comprises the advantage of networked systems over traditional, hierarchical decision-making structures". Esman (1990: 461) also explores the merits of alternative modes of public management as a way of dealing with the inherent problems of administrative pathologies of conventional bureaucracies. Public legitimacy, he argues, could be enhanced in developing countries through more systematic and context-relevant use of organizational networks as participatory management and delivery mechanisms.

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

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

The executive leadership engages the citizenry in seeking to legitimize policies and reduce their complexities in the process of implementation. The administrative machinery, on the other hand, deals with their clientele-- that section of the citizenry most directly related to a given policy area or interest as implementing "partners". The distinction between "citizens" and "clients", allows a deeper understanding of how institutional legitimacy affects the success of policy implementation. In a nutshell, managing this "extrabureaucratic" institutional framework (Riggs, 1991: 491, 501, 504-5) or strategic environment (Montgomery, 1991: 511-524) is what constitutes the imperatives of administrative legitimacy.

Institutional Legitimacy: Government and Citizens

In this section the focus is on that aspect of institutional legitimacy that pertains to the nature of government relations with the citizenry. The next section considers the interaction between public managers and clients. At the level of government-citizen interaction, the broader context of policy implementation is established by the ability of the executive leadership to command (authoritatively and morally, as opposed to coercively) the trust of the wider citizenry such that the latter confers its consent to, or acquiescence before, the governing activity of the state's administrative machinery. It is at this level of state-society relations that the government can legitimize the administrative machinery as the conduit of development by undertaking symbolic and/or real attempts at citizen engagement, such as consulting and accommodating citizens' policy preferences and wishes, articulating development goals that reflect citizens' priorities, and taking responsibility for the success or failure of policy implementation.

It is important to acknowledge that part of the function of the executive leadership in legitimizing policies and their implementation often involves some degree of manipulation of the public through the conditioning of citizens' perceptions, beliefs and needs (Glazer, 1946: 81-86). An extension of this view of government considers broad citizen participation in policy formulation and implementation as serving more of a symbolic purpose in a democratic polity. Although participation of the citizenry can sometimes result in actual influence of policy decisions and their implementation, it often involves the manipulation of citizens' preferences to fit predetermined policies (Bellone, 1992: 130-140).

In the specific area of private sector development policy, the executive leadership often articulates the trajectory of national development, usually using cultural and national symbols and images to capture the sentiments of the citizenry. National development "problems" are defined and framed in such a way that their solutions "coincide" with the policy preferences of administrative elites. Therefore, the executive leadership's ability to engage citizens and win their trust and confidence is crucial to citizens' acceptance of policies formulated by administrative technocrats, and thus immensely conditions the strategic environment of policy implementation. As Todaro (2000: 625) points out, statements by the executive leadership concerning national economic and social development goals and operational plans can have "an important attitudinal and psychological impact on a diverse and often fragmented population."

Therefore, if economic ideas expressed as development goals and plans are to be taken seriously, the role of the executive leadership, along with their support and dissemination of market-development ideas, cannot be ignored. Thus, administrative legitimacy is enhanced by the tacit or explicit support of executive leaders, along with their willingness and ability to protect implementing agencies from the turbulent and "muddy waters" of state-society relations (Haggard and Kaufman, 1995; Williams, 2003: 395). Public sector reform toward improved policy implementation in developing countries, van de Walle (2004: 36-57) observes, must take seriously the role of executive leadership, the support they provide to implementing agencies, and how their engagement with the citizenry helps legitimize the actions of these agencies.

The forms of engagement of the citizenry may vary widely across democratic polities, from highly patriarchal cultural systems to more mature pluralist policy environments. Some of these forms of government engagement of the citizenry are addressed in organizational elite theory and administrative elite development (Dunleavy and O'Leary, 1987: 136-145). For instance, in democratic systems, elites often legitimize their dominance through the use of various degrees of "consultations" with their public -- some ritualistic, and others real. Other tools of legitimacy include forms of patronage which can range from the highly corrupt and personalized to the more sophisticated and institutionalized. In the latter, the state resorts to overly generous distribution of state resources, and tends to measure its legitimacy by how much of social and material "goods" it can deliver to citizens. In systems with institutionalized patronage, public policy reflects demands of the people less than the interests and values of elites (Higley, Pakulski and Burton, 1997). Changes and innovations in public policy and its implementation come about as a result of redefinitions by the governing elites of their own values. Mass sentiments are manipulated by government more often than elite values are influenced by the sentiments of masses. For the most part, communication between the elites and masses flows downwards from the governors to the governed (Dye and Zeigler, 1994: 3-13).

Whatever the form of engagement between government and citizens, the common denominator is the recognition by governments that in a democracy-- nominal or real-- the imperatives of administrative legitimacy necessitate paying some attention to mechanisms of incorporating citizen engagement as a variable in policy implementation. This becomes even more important in light of the changing environment of public administration, which finds expression in the following forms: first, transformation in the political culture with increasing democratization and the rising expectations of the masses; more education and women's participation in politics and administration; and growth of civil societies and citizen activism in places like Botswana, where political passivity and civic lethargy once characterized the masses (Carroll and Carroll, 2004: 3-29). In countries across Africa, Asia and Latin America, the demands for accountability and responsiveness are on the increase (Farazmand, 2001: 17-8), and so also are trends towards various forms of large-scale citizen participation in politics and demands for systems other than technocratic detachment in policy implementation; and these are significantly 'colouring' and complicating the strategic environment of modern public administration. The impact that these phenomena are having on administrative legitimacy is, arguably, becoming ever more significant for the success or failure of policy implementation.

Institutional Legitimacy: Administration and Policy Stakeholders

Another dimension of legitimacy as a requisite of policy implementation is the relationship between the administrative machinery and its immediate clientele within a particular policy area. The government-citizen dimension of legitimacy discussed above provides the wider context within which this narrower partnership can operate. If the executive leadership is effective at fostering wider institutional legitimacy, policy implementation tends to be less complicated and more technocratic. With the executive leadership's engagement of the citizenry, the administrative machinery focuses on its clientele, which may consist of citizens and non-citizens (Dunleavy and O'Leary, 1987: 143).

There are some arguments in justification of such an exclusive form of partnership. First, it has been observed that there are ideal and non-ideal conditions for citizen participation, and the technical nature of certain policy issues would tend to justify exclusive partnership with those interests within society who are technically competent to participate (Irvin and Stansbury, 2004: 61-2). Moreover, some would argue that direct beneficiaries of a given policy are often the ones with the disposition and competence to assess policy implementation, as well as give useful inputs (Koehn, 1991: 244-5, 247). Furthermore, some scholars have expressed the need for the developmental state to focus on collaboration with relevant organized interests aimed at facilitating real state ownership of policies and programs, rather than just administrative responsiveness to a somewhat amorphous citizenry (Vigoda, 2002).

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

While there is logic in the above argument, one should also recognize the need for a wider engagement between the government and citizens as a supporting mechanism for exclusive partnerships between the administrative machinery and its immediate clientele. In economic policy implementation, the imperative of external connectedness of public agencies to the market environment and its main actors and interests is a significant determinant of policy success, inasmuch as it accounts for the abilities of private sector development policies to remain relevant to the changing realities of the economy.

In their shared role of coordinating and integrating the process of national development, close institutional links are thereby established between public agencies and the business community (Evans, 1990; Migdal, 1987: 9). This study refers to the close collaboration that can exist between public agencies and market actors as the "market legitimacy" of the state. Market legitimacy is an analytical lens through which public agencies' relations with market actors could be evaluated as a determinant of the success or failure of private sector development policy implementation. Market legitimacy, in this study, is defined in terms of both the social embeddedness of public agencies within the market and economic actors' perception of the state's credibility, competence and authority to govern the market.

Market legitimacy, therefore, refers to: the business community's trust in the government's market capacity-enhancing policies and programs; a recognition of the authority of agency officials and government bureaucrats to direct the trajectory of market transformation; and a perception among market actors that the state's policies are consistent with their medium- to longer-term interests and overall economic development. As Castells (1992: 56) notes, "a state is developmental when it establishes as its principle of legitimacy its ability to promote and sustain development…."

In short, market legitimacy consists of the depth and breadth of social network linkages that the state maintains with economic actors, without the former's ability to govern the market being eroded, undermined or compromised by the latter (Brett, 2003: 22). Legitimacy conceptualized as market embeddedness allows for public partnerships with the business community that constitutes the market environment.

The emphasis here is on flexible yet dynamic long-term public-private coordination that consolidates into relatively stable network relationships (Carroll and Carroll, 1999: 2- 4), rather than on the authoritarian imposition of vague economic policy blueprints. Such an emphasis enables state agencies, in conjunction with the business community, to develop services that are relevant to the specific clientele of such agencies. In other words, this study takes seriously the technical element of economic policy formulation and market capacity enhancement that necessitate some measure of expertise and authority, yet it advocates embedding the process of market capacity building in the local reality of economic and social relations, their actual preferences and needs, and their ethos and ideas about entrepreneurship and market development (de Soto, 2000: 1-15).

In a nutshell, market legitimacy is enhanced through network partnership with private sector actors, thereby generating a process of social capital formation that in turn positively feeds back and reinforces public trust and favourable perception of the government's intervention in the market. Furthermore, market legitimacy through state agencies' social embeddedness minimizes transaction costs, facilitates information transfer and builds institutional legitimacy and capacity through a collective decision-making strategy that encompasses all stakeholders within the market arena.

In conclusion, this chapter has provided a theoretical framework that guides the analysis of themes and issues examined in the rest of the thesis. Two hypotheses were presented, making the case that *administrative capacity* and *institutional legitimacy* are two fundamental ingredients that determine the success of state-market network partnerships in economic policy implementation. The next chapter will spell out the research method used to examine the arguments that have been put forward in this one. Following that, the rest of the thesis will discuss how the issues of capacity and legitimacy affect policy implementation in Singapore and Botswana.

Chapter 4
Research Method

Introduction

This chapter operationalizes what this study wants to find, and tries to determine the best way to do it. First, the relevant variables in the study's hypotheses are conceptualized and operationalized. Some elaboration follows on the comparative research method used (McNabb, 2004). Next, I lay out the basis of case selection, population and sampling, specify the methods of data collection, and, finally, consider some ethical issues.

Conceptualization and Operationalization of the Hypotheses

In this thesis, I use the term pragmatic economic management to mean state-led economic intervention. It is divided into four activities: technological, informational, human resources, and financial (Jackson, 2001: 28). By technological support, I mean the capital resources that the state allocates to technology research and development (R&D) support services. Information refers to the activities that constitute the distribution of communiqués and reports containing information about technology and business opportunities for the purpose of supporting the business community. The provision of relevant and timely information is pertinent to the spread of cost-saving innovations and entrepreneurial opportunities.

Human resource capacity building is defined in this thesis as the commitment of capital resources to directly improving the capabilities of entrepreneurs to effectively exploit the provision of technological and informational support services. Human resource development also includes the provision of business development training services for existing firms, the cultivation of investment skills for new entrepreneurs to enter the market and exploit business opportunities, and assisting firms in building long-term human capabilities through employee training programs, especially in high-skills job requirements for which firms have little or no incentive or capacity to train their often mobile workforce.

Financial support includes capital resource allocation that is directed towards industry-specific business development and promotion activities. These activities could be geared towards any or all of the following: increasing the rate of domestic capital formation; providing loan capital to increase the rate of enterprise formation; facilitating capital expansion and profit re-investment geared towards the transformation of smaller enterprises into medium- and large-scale firms; increasing capital and labour productivity and reinvestment rates; and sponsoring trade missions and the like, directed toward assisting firms in the cultivation of domestic consumer demand market and export markets.

The market actors consist of organized business and labour. Organized business is the collective representation of business enterprises across industries engaged in some form of value production that contributes to annual GDP growth and economic development. Borrowing partly from Kennedy's (1988: 114-5) concept of "businesses", they include enterprises in the manufacturing, services and commercial sectors of the market. Organized labour is restricted to the collective association and representation of workers employed in businesses as defined above.

The term administrative capacity contains two independent variables: the first deals with organizational coherence in economic policy implementation: i.e., the degree to which public agencies' organizational and operational processes are integrated and coordinated with other public organizations in ways that enhance their speed and efficiency in carrying out their mandate to implement private sector development policies. In this study, the indicators that characterize organization coherence include the following:

- the degree of closeness between the main ministries and agencies responsible for economic policy implementation;
- the degree of connectedness (or frequency of organizational contacts) of the various agencies that share mandates for implementing the various aspects of economic policy;
- the extent to which alignment of ministries and agencies allows for flow of resources and information from the executive leadership to the ministries and then to the agencies responsible for economic policy implementation in the market; and,
- the frequency and intimacy of institutional contacts between economic development agencies and organized business and labour.

The second variable is the policy autonomy of public agents as implementing arms of the state. I define autonomy as the ability of public agencies to implement economic policies and penetrate market networks without the impediments imposed by rigidities of overcentralized bureaucracies or opportunistic top-bottom interference by elected officials, on the one hand, and bottom-up organizational penetration by parochial societal interests on the other. Indicators of operational autonomy include the following:

- the frequency with which projects or programs developed within public agencies have been reversed by political executive decisions based on political expediency; the higher the interruption, the lower the autonomy of agencies;
- the degree of penetration (outside of the collaborative framework) of agency operations by special interests bent on deviating market development programs and projects in their favour- and the higher the degree of penetration, the lower the level of autonomy of agencies.

Organizational coherence and policy autonomy are evaluated by interviews of public agents and market actors, as well as members of policy Think Tanks that are sufficiently in-depth to ascertain their *perceptions*. Interviewees are asked specific questions based on the above indicators, and they respond by describing the level of structural and process integration of their operational environment (for organizational coherence) and level of insulation from top-down or bottom-up political interference (for policy autonomy), along the lines of the various indicators specified above.

Strategic management combines the elements of organizational coherence and operational autonomy. It focuses specifically on public agents as policy actors on behalf of the state. Strategic management, therefore, refers to the managerial, attitudinal, communication and relational skills of public agents or agency officials in facilitating interorganizational collaboration among agencies and between agencies and private sector partners.

The second hypothesis about the state's institutional legitimacy has two dimensions: The first is concerned with the government's engagement of its citizens, and is defined as the level of trust and confidence that the government enjoys from its citizens, thereby gaining their expressed consent to or tacit acquiescence before the active government the market and the direction of economic development under conditions of pragmatic economic management as defined above. The second dimension of institutional legitimacy is the relationship between public agents and market actors. I refer to this relationship as market legitimacy, and it is defined as the level of trust, credibility, and authority that agency officials command within the industrial business community.

As in the case of the first two variables above, the indicators of the last two variables will also be measured by in-depth interviews of the following:

- perceptions of the business community about the government's credibility, authority and competence to govern the market.
- the frequency and nature of consultation between agency officials and the business community will be useful markers of the depth of collaboration between the state and market.

'Frequency' of consultation also measures the average number of times a year that agency officials and organized representatives of the business community actually meet to discuss and execute private sector development policies. 'Nature' of consultation measures the perception shared by agency officials and the business community about their operational 'intimacy' or 'consensus' in the exchange of ideas, and rate of response to each other's ideas.

The time period covered by the inquiry is the last three decades, from 1975 to 2005. For the purpose of background context, however, I will endeavour to provide a brief overview of political and economic development since independence in each of the cases. In short, I utilize the comparative historical method, because the study seeks to arrive at a deeper and more nuanced understanding of how administrative capacity and institutional legitimacy determine the success of interventionist or state-led private sector development policy implementation.

Therefore, the thesis is idiographic research as distinct from a nomothetic research. As an example of idiographic research, the inquiry focuses on fully understanding only a few cases, instead of seeking to account for a class of situations or events across a large number of cases. The aim of the study is to provide an in-depth account of the interaction or relationship between administrative capacity and institutional legitimacy as independent variables and the success of pragmatic economic management of private sector development as a dependent variable. The empirical and logistical advantages of engaging in idiographic field research include the following (Babbie, 2006): first, greater depth of understanding of the cases; and second, greater flexibility in the progress of the inquiry and the topics under investigation, even while conducting interviews in the field.

Case Selection

The inquiry will comparatively examine private sector development in two cases: namely, Botswana and Singapore. These two countries are "successful" examples of the developmental state model of pragmatic economic management in their respective regions (Leith, 2004). The aim here is to empirically examine the nature and degree of their "success", and, more important, assess the administrative and institutional variables that are significant in accounting for successful policy implementation. Using two cases of pragmatic economic management from very different developing regions should control for regional dynamics, and allow me to draw some cross-cultural policy lessons about the significance of administrative capacity and institutional legitimacy in the implementation of pragmatic interventionist economic policies. The table below provides a summary description and comparison of the two countries.

	Singapore	**Botswana**
Location	Southeastern Asia, islands between Malaysia and Indonesia	Southern Africa, neighboring South Africa.
Colonial History	Founded as a British trading colony in 1819.	Formerly the British protectorate of Bechuanaland.
Geography	Total area 692.7 sq km	Total area 600,370 sq km; landlocked; population concentrated in eastern part of the country
Natural Resources	fish, deepwater ports	diamonds, copper, nickel, salt, soda ash, potash, coal, iron ore, silver
Political Stability	Four decades of uninterrupted civilian leadership under the same political party, PAP	Four decades of uninterrupted civilian leadership under the same political party, BDP
Government type	Parliamentary republic	Parliamentary republic
Economic Performance	One of the most diverse and dynamic economies in Asia	One of the fastest growing economies in Africa
Population	4.5 million	1.7 million
Ethnic Composition	Chinese 76.8%, Malay 13.9%, Indian 7.9%, other 1.4%	Tswana (or Setswana) 79%, Kalanga 11%, Basarwa 3%, other, including Kgalagadi and white 7%
Languages	Mandarin 35%, English 23%, Malay 14.1%, Hokkien 11.4%, Cantonese 5.7%, Teochew 4.9%, Tamil 3.2%, other Chinese dialects 1.8%, other 0.9%	Setswana 78.2%, Kalanga 7.9%, Sekgalagadi 2.8%, English 2.1% (official), other 8.6%,
GDP Growth	GDP real growth rate: 7.4% (2006 est.)	GDP real growth rate: 4.7% (2006

		est.)
GDP Per Capita	GDP per capita (PPP): $30,900 (2006 est.)	GDP per capita (PPP): $11,400 (2006 est.)
GDP – composition by sector:	agriculture: 0% industry: 33.8% services: 66.2%	agriculture: 2.4% industry: 46.9% (including 36% mining) services: 50.7%
Main exports	Computer equipment, machinery, rubber products, petroleum products	Mineral extraction (principally diamond, copper, nickel), beef

An in-depth (qualitative) comparative case study analysis of countries like Botswana and Singapore can help us understand the nature of policy implementation in small countries. Even in larger countries, policy implementation is often best understood at the institutional subunits of the state where policies actually become programmes and projects in their most detailed forms. Therefore, studying the dynamics of policy implementation in smaller countries like Botswana and Singapore can enrich our understanding of policy processes across various levels of government.

Data Collection

Given the nature of the variables under investigation in this study, the inquiry utilizes qualitative methods of data collection since the kinds of data useful for this research do not lend themselves well to quantitative analysis. I will, however, endeavour to provide descriptive quantitative data (from existing statistics) about economic aggregates of private sector development just to serve as a reference point for comparative assessment of private sector development in each of the two cases. It is worth emphasizing that the statistical data provided is only descriptive, providing a quantitative picture of the nature and level of private sector development in each country.

Levels and Units of Analysis

Given time and resource constraints, the institutional locus of the inquiry will be central agencies primarily invested with the mandate and responsibility to promote private sector development within certain industries. Inasmuch, however, as state ministries responsible for economic development usually maintain close and fluid interactions with agencies-- and even, sometimes, perform overlapping functions-- some analytical references will be made to the activities of these state ministries, mainly in an effort to understand how they facilitate or impede the administrative capacity and institutional legitimacy of public agencies engaged in private sector development. Because researchers sometimes run the risk of drawing invalid conclusions because their assertions about one unit of analysis are actually based on the examination of another, it is important to distinguish between units of observation and the aggregates I hope to generalize about (Jreisat, 2005: 237). Therefore, although a substantial part of my data is collected through in-depth interviewing of individuals, the focus of this study is on understanding organizations and systems created for the purpose of translating policies into concrete programs and projects.

The unit of analysis in this study is thus public organizations (or, more specifically, public agencies responsible for private sector development) whereas the units of observation consist of individuals (public managers and market actors) and social artifacts (mostly policy documents). Even though public agencies constitute the primary unit of analysis, some references are made to the relevant ministries and business organizations that are engaged in policy implementation partnerships. The ultimate aim, however, is to make a comparative analysis of these organizational entities across the two cases in the study. Analyzing the interview responses of a sample of individual public and private sector policy actors will be useful in understanding the impact of administrative capacity and institutional legitimacy on the behaviour of public-private organizational partners in policy implementation. In interviewing individuals, then, the aim is to explain organizations by aggregating the interview responses of actors within those organizations. Finally, I will look at social artifacts as part of my units of observation. Primarily these will include content analysis of official policy documents, publications by research institutes in the two cases, empirical works in books and articles written by experts in the two cases, and magazines and newspapers published in the two cases.

In-depth Interviewing

Because the inquiry is administered through qualitative interviewing, the interviews are less structured than, say, survey interviews. As a researcher, I have a general plan of inquiry, but not a rigid set of questions that must be asked in a particular order. I maintained conversations in the field with my interviewees in ways that allow the respondent to do most of the talking. In the interviews, I maintained a flexibility that allows for logical adaptation to the conversation, posing relevant follow-up questions as the situation dictated. Although I tried not to be totally passive, my focus as a researcher was to direct the flow of the conversation without taking over or appearing disjointed. My general posture during the interviews was to appear more interested than interesting.

Given the time-consuming nature of in-depth interviews, I used non-probability sampling methods: specifically, purposive and snowball samples. I initially managed to get a few positive responses to letters and follow-up emails I sent to potential interviewees in Singapore and Botswana. I also got the names of a few of my interviewees from my dissertation supervisor and committee member,[1] and from other faculty members within my department who are familiar with (or have contacts in) Botswana and Singapore. Starting with these initial interviewees, after each interview, I was able to request further referrals to other potential interviewees who could be helpful and relevant sources of data information. In this way, I was able to develop a pool of interviewees from which I selected respondents across a wide sample of organizations in the public and private sectors. I was able to conduct sixteen in-depth interviews in Singapore and fifteen in Botswana, with top, middle and lower-level officials in certain

[1] Dr. Barbara Carroll and Dr. Shafique Huque, respectively

public ministries and agencies (mainly those concerned with industrial development) and organizations representing the interests of the private sector, as well as policy Think Tanks and members of academia.

Chapter 5
Economic Policy Implementation: The Case of Singapore

Introduction

This chapter looks at economic policy implementation in Singapore, a country in which the state is actively involved in the management of the economy and, more especially, in the active implementation of private sector development policies. Myriad publications seek to explain economic development in Singapore, but most are no more than political economy accounts of industrial development (Rodan, 2006; Haggard, 2002; Lim, 1994). Others have a largely institutionalist focus, looking at Singapore as an administrative state, and dwell on the structure and nature of the Singapore civil service (Quah, 1996; Bellows, 2002).

Some scholars have attempted to understand the role of economic development agencies, but the analyses often end up as narrative descriptions of the history of these agencies (Schein, 1996; Low, 2002), with insufficient attention to the strategic environment of administration and politics within which these agencies operate. The present study has greatly benefited from the insights of the literature into economic development policy in Singapore. The aim here, however, is to weave these insights together within the framework of the theme of public-private collaborative network governance.

In their rush to make sweeping generalizations about "authoritarian developmentalism" in East Asia, some scholars (Leftwich, 1995; Mutalib, 2000) gloss over the nuances of the development process itself in Singapore. The nature of market governance in Singapore has confounded some of these scholars as they try to reconcile the country's curious blend of corporatism (consisting of a collaborative partnership among the state, businesses and labour unions) that keeps the state well involved in, and connected to, the market, with an elitist and somewhat authoritarian tendency that invokes both admiration and fear from some of its citizens, including some market actors (Kuruvilla, Erickson, and Hwang, 2002: 1470-1). This chapter hopes to establish that it was through this odd mix of collaborative network governance and a paternalistic disposition that the state has managed to create an economic policy implementation "space" within which dialogue among market actors was fostered, bargains were struck, and systemic long-term synergies were cultivated, albeit with a less prominent role for organized labour.

The aim of this chapter is thus to examine the institutional mechanisms by which the Singapore government engages the market in implementing its private sector development policies. It also examines the properties of governance that characterize the relationship between the state and the market, including business and organized labour as integral stakeholders in the process of economic policy implementation. Moreover, the focus of the discourse is on understanding the changing institutional and political mechanics that surround the rather complex partnership between the public and private sectors within the framework of pragmatic economic management in Singapore, and the changing character of that partnership.

As Singapore moves towards its recently (within the past fifteen years) towards its articulated goal of becoming a knowledge-based economy and an industrial hub in the Asia Pacific region, certain issues in economic policy formulation and implementation are emerging, and doing so with increasing rapidity. Singapore's corporatist model of state-market partnership with predominantly multinational corporations (MNCs) is undergoing a gradual re-definition to include a greater role for local enterprises. These recent phenomena are in turn having some impact on the state's capacity and legitimacy to implement economic policies and govern its market at the same time as developments in that country necessitate a redefinition of the strategy and goals of pragmatic economic management.

Elements of economic policy implementation in Singapore of major significance include the administrative capacity of semi-autonomous economic development agencies working closely with the civil service, the multiple links between these agencies, and their close involvement within the market through consolidated networks with private economic actors. Another dimension of economic policy implementation is the mechanism by which the government of Singapore has managed to establish its legitimacy to govern the market through collaborative engagement with carefully selected economic stakeholders while, at the same time, systematically excluding interests or actors that it deems "undesirable".

Putting into analytical context a discussion of pragmatic economic management in Singapore by elucidating the nature and structure of the country's economy will also deepen our appreciation for that country's state-led economic management. Against this background, much of the discussion then consists of a close examination of the Singapore government's experience with private sector development policy implementation in collaboration with market actors-- i.e., business and labour.

The rest of the chapter proceeds in the following manner: first, an analysis is made of key phases of economic development over the past four decades. This will be followed by a closer look at economic development agencies operating at the strategic interface of the public and private sectors. The goal is to understand how economic policies are implemented in network partnerships. Thirdly, attention turns to economic trends over the past fifteen years. Fourth, the discussion includes an examination of the political trends over the past decade, which has shaped the strategic environment of economic policy implementation. The aim is to give neither a descriptive account of economic policy formulation and implementation, nor a narrative of the "right" policies that brought about Singapore's economic success. Instead, an attempt is made to explain the changing dynamics of state-business partnership necessitated by the ever-changing imperatives of the domestic and international market, and the implications these changes have for the state's administrative capacity and institutional legitimacy to manage its interventionist model of economic development.

Pragmatic Economic Management in Singapore

Over the past four decades, Singapore has been transformed from a country with an economy based on staples exports in the 1950s and 1960s to one characterized by well-developed industrial and financial activities closely integrated with the global economy. Singapore's economy grew rapidly through two key stages between 1960 and mid 1990 (Rodan, 1989; 2006), and a third stage is presently unfolding (Low, 2004). The government has successfully diversified it into, first, labor-intensive manufacturing and, later, financial and business services.

As the economy matured and labour became scarce in the 1980s, the government made another strategic switch to capital-intensive production. For the past forty years Singapore has enjoyed a consistent exceptional growth rate averaging over 7% of the GDP growth per annum, doubling its GDP about elevenfold (Low, 1991; 1993; 2001; Huff, 1994). The recession of the mid 1980s preceded yet another major economic restructuring, one that would direct Singapore towards its new vision of becoming an innovation-led or knowledge-based economy, and an industrial hub in the Asia-Pacific region.

Understanding the nature of market governance in Singapore requires an appreciation of planning as a mechanism of economic policy formulation and implementation (Worthington, 2002: 44-47). A few questions inevitably arise: What is the character of Singapore's planning as a central element of pragmatic economic management? What is the model on which economic development plans are implemented in Singapore? Why has their model been successful?

Singapore practises what could be referred to as indicative planning, as contrasted with command or, even, formal planning (Low, 2001). A significance of the distinction is that it is between planning as understood in the socialist or statist sense, and planning within a market framework. Planning in Singapore is pragmatic in the sense that it has inherent flexibility, and is also logically consistent with market operations (von Alten, 1995; 117-136). In general, there is satisfaction among the private sector with the mechanism of planning in Singapore. According to an official of the Singapore International Chambers of Commerce,

> planning in Singapore is not just about giving incentives. It is about people and infrastructure. It is about a business mindset in the leadership. It is about effective economic development agencies in constant touch with businesses in this country, laying out the future direction of the country's economy but fully mindful of the way modern markets work. They are not imprisoned in their own planning... Government has a long-term vision... They always come and say to our enterprises, "What else can we do for you?".... The idea of consultation is inbred. In most countries, the politics and economics are much more complicated. In Singapore, they have neutralized and sanitized the policy space (an Executive Official of the Singapore International Chambers of Commerce).

Singapore's model of planning does not seek to exclude the private sector but, rather, to provide leadership, direction and market signals (interview with a program officer, EDB). Planning does not, however, merely take signals from the market; it also gives them to private actors, showing them where the economy needs to be going -- and backs up those signals with resource incentives and other institutional support mechanisms (interview with a senior executive at JTC). Therefore, the analysis here goes beyond mere planning per se. It seeks to understand the successful implementation or administration of the resource incentives and institutional support mechanisms that emerge from the economic development plans.

Deeper examination of the workings of the government, especially its economic development agencies that operate at the strategic interface of the state and market, will facilitate our pursuit of the above-mentioned themes. Only to understand the structure and operation of Singapore's economic development agencies in the market, as most work on economic development there has tended to do, is insufficient, however (Low, 1993; Schein, 1996). One needs to appreciate the relationship of these agencies with other organizations of the public sector, particularly the civil service, and their interaction with non-state market actors, including organized business interests (mostly MNCs and, later, local enterprises) and organized labour.

The government of Singapore at independence in 1965 conceptualized development in terms of ability to respond to the socio-economic needs of the people and to structurally transform that country's society into a modern nation at peaceful coexistence with itself (i.e. free from civil or ethnic strife) and its neighbours. Caught, at the height of the cold war, at the frontlines of communist-capitalist confrontation, Singapore defined its destiny through a capitalist path, thereby rejecting communism, and perceiving economic development not merely as a goal, but also a question of national survival. Taking the capitalist path did not and does not, however, mean becoming a free market economy, as the state strategically guided the process of market transformation and economic development by providing incentive structures to maximize the latter.

The First Development Plan of 1961-1964 was very highly indicative and flexible (Republic of Singapore, 2006), with its essential characteristic being to guide and direct the government's strategic allocation of resources across sectors of the economy. The First Development Plan imbued with purpose and coherence the government's intervention in those critical formative years of the newly self-governing nation (von Alten: 117-136).

An even greater reflection of the government's pragmatic orientation to policy formulation and implementation, and its non-adherence to any particular ideological blueprint, was evident in the Second Development Plan of 1966 to 1970 when Singapore made a radical reorientation from import-substitution industrialization (ISI) to an export-oriented, labour-intensive industrial development strategy. The government performed the switch right after it attained independence (after being expelled from the Malaysian Federation) and, therefore, had to face the stark reality of its existing geographical constraints as a small city-state with almost no natural resources, other than its people. Rather than getting ideologically stuck in import-substitution industrialization, the government of Singapore was quick to abandon ISI in search of a more appropriate strategy that would be conducive to exploiting the advantages of a port city-state.

The Economic Development Plan for the 1980s (which could be considered the "third development plan") witnessed the introduction of longer-term strategic planning, with a ten-year vision to restructure the economy from labour to capital intensiveness. It should be noted that the plan's lengthier time frame was not to the detriment of its flexibility or pragmatism. In fact, it was not really a plan at all, but was, rather, the Report of the Economic Committee that provided a vision of and guide to what in retrospect can be seen as a watershed redirection of Singapore's model of economic policy implementation and market governance. It ushered in what is commonly referred to by Singapore's economic policy actors as the "new economy" (interview with an official at JTC). Its goal was to speed up the modernization of Singapore's economy and promote the development of science, technology and skill-intensive industries. The Report of the Economic Committee had also recommended the strategic repositioning of the state-market partnership to include new actors, mostly previously excluded local businesses, in the process of economic policy implementation. This plan even gave consideration to the retreat of the state from direct participation in certain production activities, in light of the development of a more effective private sector.

The Singapore Economic Plan (SEP) of 1989 followed and reinforced the Report of the Economic Committee of 1985 (Republic of Singapore, 2006). It was prepared by the Economic Planning Committee set up by the Ministry of Trade and Industry (MTI). The SEP prescribes further details of implementation mechanisms of the vision and policies contained in the Report of the Economic Committee Report. It has become one very important point of reference for understanding the current Singapore economy as it acknowledges and prepares the country for a new model of market governance in a more complex economy, with heightened regional competition and increasing globalization.

State-Market Partnership: The Role of Agencies

The actual "engineering" of the market environment that shapes the atmosphere of economic policy implementation in Singapore occurs within certain organizations and institutions that have the task of concretely expressing the country's economic development plans. These organizations are central to the strategic pragmatism of interventionist economic development that characterizes Singapore (Lee and Haque, 2006). Planning by itself, then, is obviously not enough. Simply manipulating fiscal and monetary mechanisms to create the "right environment" is, moreover, only the beginning. For industrial development to take full effect, economic plans need to be supported by processes and institutions by which the state can translate its vision of development into concrete programs and projects. According to one of my interviewees at the Institute of South East Asian Studies (ISEAS), "success in Singapore has never been a one dimensional issue -- there are other factors. Policies that work in one setting may not work in others. So then, beyond getting the right policies, one needs to seriously consider the role of certain public organizations in this country."

In Singapore, economic development agencies have been known to play a large part in collaborative market governance (Kuruvilla, Erickson and Hwang, 2002). It is therefore important to address the following questions: How do these agencies operate? What is their mandate? What is their relationship with the civil service on the one hand, and businesses and labour on the other? What is the environment around which these agencies operate? These questions are addressed below.

Before delving deeper into the nature of public-private networks surrounding economic policy implementation in Singapore, though, it should first be noted that a key part of pragmatic economic management takes the form of direct public investment by public enterprises (known in Singapore as government-linked companies, or GLCs) in new ventures (Ariff & Thynne 1998: 75-6). Through these GLCs, the government is able to act as a pioneer in private sector development often by investing in sectors into which the private sector is unwilling or unable to venture (Lim, 1998; Toh, 1993). Although this is the classic argument for government involvement in the market, there is more to this strategy in Singapore than rhetoric.

By starting new business operations through its public enterprises, the state actually creates new capital. With this new capital it finances more enterprises through a process of internal growth and diversification. As the state engages in these activities of direct strategic investment, the private sector gains confidence in the government's pioneer ventures, and is, in turn, encouraged to invest or to expand existing investment, sometimes even forming joint ventures with the government. Singapore has over 500 of these GLCs operating in the market.

Important as the GLCs are to Singapore's approach to pragmatic economic management, however, the focus of the present study is on the operation of the economic development agencies (or statutory boards, as they are referred to in Singapore) whose mandate is to provide institutional support mechanisms for businesses, including GLCs, MNCs and local enterprises, and to integrate their interests with those of organized labour as policy stakeholders and actors in the market. This section thus focuses on the institutional and administrative dimension of the government's implementation of the economic plans or policies discussed above.

Economic development agencies are part of statutory boards in Singapore. They are distinct from government corporations, such as GLCs. Economic development agencies are established by an Act of Parliament, and their functions are spelt out in the act under which they are established (Government of the Republic of Singapore, 2006). Authority is vested in the agency's governing board, which is appointed by the minister under whose ministry an agency's mandate falls. The governing board determines the policies, subject to the directions of the responsible minister. In practice, though, agency policies are mainly detailed programs and projects drawn from the government's economic policies. Agencies are accountable to Parliament through their annual report, and also through the responsible minister. The chief executive officers of agencies are called general managers (an equivalent to the permanent secretary in the ministries and departments).

The Economic Development Board (EDB), established in 1961 to plan and promote economic development in the manufacturing sector, became the central agency responsible for market coordination and provision of incentives (Fletcher and Moscove, 1997: 167-199). The mandate of the EDB includes the following: guaranteeing loans raised by industrial enterprises with the written approval of the Ministry of Finance; granting loans to industrial enterprises; managing, supervising, controlling and investing in industrial enterprises; entering into partnerships with industrial enterprises; laying out industrial estates for sale or lease; and providing technical advice and assistance, among other things (Republic of Singapore, 2006).

The EDB has an all-embracing responsibility for promoting economic development. It maintains a long-term vision of market capacity enhancement by seeking to attract and build close partnerships with large MNCs and, where appropriate, engages in direct equity investment or enters into joint ventures. Where possible, the EDB also seeks to link the activities of MNCs to those of GLCs; and in the past fifteen years it has created production links between MNCs, GLCs and local enterprises.

In the words of an EDB official,

> the EDB started the building blocs of industrial development in Singapore.... Infrastructure and manpower development was where we initially started. We [EDB] also built the fiscal and financial infrastructure, making Singapore a place where people feel safe about putting their money. Only after laying these foundations did we start going to get investors. We started with labour-intensive industries- labour was cheap and plenty. But by the late 1970s, skill-intensive activities were our focus. Eventually, as we built confidence and experience, we moved in the 1980s to capital-intensive activities. In the 1990s and beyond, our focus is building a knowledge and innovation economy. We don't pick up any kind of entrepreneur-- we set our targets and look for entrepreneurs within those clusters. We cannot do everything, so we focus.... So basically, we have four key pillars in our industrial drive: electronics; mechanical; chemical; and biomedical sciences.

The EDB also attempts, through its coordination with other agencies, to integrate the actions of businesses (i.e., MNCs, GLCs and local enterprises) with the interests of organized labour. Divisions within the EDB such as finance, industrial facilities and technical consulting, have provided specialized services to potential investors. As its functions have grown in scale and complexity, several of its divisions have been hived off into separate organizations, such as the Jurong Town Corporation (JTC) and Urban Redevelopment Authority. For instance, the JTC now has the responsibility for providing industrial facilities to new investors.

One of my interviewees at the JTC put it this way:

> The JTC focuses on building physical facilities as part of the effort to attract and keep businesses in Singapore. We (the JTC) have a "Customer Group" that assesses the needs of potential new businesses... setting up a business location, and things like that. The EDB primarily engages in attraction of foreign businesses, as well as engaging in joint investment partnerships. It also does manpower assessment to target needs and opportunities in every sector of the economy. You can call the EDB the "bolt" that links business and labour here in Singapore. They've got a lot of power-- they do almost everything...from granting visas to foreign investors and skilled manpower to distributing capital resources to businesses. The JTC also have the "Investment Development Group" that kind of does a bit of what the EDB does... [That is, it] attracts, brings in business and passes them on to the Customer Group.... At the JTC we have to

> plan ahead of time. We get feedback from industries and respond constantly, making readjustments for struggling businesses, retooling for changing businesses... It never ends....

There were other agencies responsible for other areas of development that, in some ways, have complemented industrial development policy in Singapore. For example, the Central Provident Fund (CPF) Board has generated the mechanism by which the government has been able to raise capital for investment in private sector development. The National Computer Board (NCB) and the National Science and Technology Board (NSTB) help with the promotion of information technology and science and technology, respectively. The Housing Development Board (HDB), along with the Urban Redevelopment Authority (URA, referred to above) are responsible for providing city planning and housing facilities for Singaporeans. It should be noted that the strategic significance of Singapore's housing scheme is that it is one mechanism by which the state has effectively kept Singaporean workers (and thus organized labour as market actors) firmly within the governing "consensus building" in industrial policy implementation.

To conclude, throughout the past four decades, economic policy implementation in Singapore has seen various significant and successful structural transformations or "phases" of the market, from its being a staples export centre to a high technology-intensive manufacturing and service economy. A glaring characteristic of Singapore's model of state-market partnership, however, has been the systematic exclusion of local enterprises as significant actors in the process of economic policy implementation throughout the country's various phases of industrial development. The government's model of industrial development has been one of exclusive state-market partnership led by agencies, primarily the EDB, in close partnership with MNCs (and also with GLCs providing complementary services through direct production in certain sectors of the economy). But this has been changing-- and very rapidly-- in recent years, especially over the last decade.

Towards a "New Economy"

Some scholars believe that the watershed of the new economy that marked the strategic shift in market governance in Singapore can be traced back to as early as the mid-1980s (Chan, 1986: 158, 161), when Singapore suffered an economic recession. Arguably, the Singapore Economic Plan (SEP) of 1989 signalled the arrival of a "new economy" in which the need for a major restructuring of Singapore's industrial development strategy was acknowledged and addressed.

The central feature of this economic restructuring (or new economy) is the inclusion of local entrepreneurs in the collaborative framework of market governance. Implicit in these changes is the fact that the strategic environment of market governance has also been undergoing some changes over the past decade or so. This is not to say that local enterprise development is a new phenomenon in Singapore, but rather that it is taking on a more prominent role in the country's economic management strategy. Even though they had operated from the margin, local enterprises had managed to survive through engagement in nimble and flexible technology research and applications that provided informal support for MNCs and GLCs (Huat, 1995). But recent years have witnessed a more dramatic shift in market governance that allows for a more significant role for local enterprises (Hew, 2004).

The urgency with which local enterprises' are being included in the market governance framework is taking such a policy hold that local entrepreneurs and policy think tanks (like the Institute for Policy Studies) and academics are all becoming bolder in their calls for new forms of state-market partnerships that will make "entrepreneurial room" for more local enterprises. There are even attempts at calling for the withdrawal of the once-revered GLCs from the market to make entrepreneurial room for local enterprises. In the new economy, the activities of the GLCs that were once celebrated as "strategic" and "complementary" to private sector development are now reconceptualized as "crowding out" activities in the market, especially for local enterprises.

The urgency of major economic restructuring was further driven home by the Asian financial crisis around the close of the 1990s. It was also necessitated by certain contextual economic variables, like cost and competitiveness in an age of increasingly intensive regional competition in East Asia. For instance, Singapore can no longer compete on a cost basis, given the high cost of labour in the country. This problem is rooted in a move in the early 1980s, when the government allowed wages to be adjusted to market prices in order to move the economy away from labour-intensive industrialization. The result has been a steady increase over the years in the average national wage as the economy has edged toward full employment (Low, 2004).

Several other reasons for the new focus on local small and medium-sized enterprises (SMEs) have been identified. One is that by sheer physical presence, SMEs constitute 90% of all establishments, 44% of total employment, 24% of value added and 16% of direct exports (Government of the Republic of Singapore, 2001). Another reason is that, from the standpoint of a pyramidal industrial structure- the SMEs are positioned as the foundation out of which local entrepreneurship and innovation spring. Although the MNCs can quickly transfer the production lines, instant technology, expertise and markets, these need to be more carefully nurtured in order for them to take root in the industrial structure. Promising SMEs can take these processes further and transform them into more enduring local operations.

A further reason is that globalization is accelerating the growth of business interdependencies across national boundaries with concomitant growth in the attendant need for rapid response to transmitted technologies from abroad (Liew, 2005). As some Singapore observers (Yuan, 1999: 66-84; En, 1998) maintain, these are trends to which the SMEs are better disposed to respond and adapt given the flexibility and nimbleness of their operations.

There is also a political dimension or motivation for inclusion of local SMEs in the state-market partnership. It is recognized that the alienation of local entrepreneurs who are of a newer, more educated and politically aware breed would be a naïve neglect by the government. A final reason is a more cynical one, in line with the criticism that in making structural changes to include local enterprises ("small boys"), the EDB is simply looking out for the interests of the "big boys" (the MNCs) (Heng and Low, 1993: 213).

The suspicion remains that rather than reflecting a pure interest in enhancing the capacity of SMEs as an end in itself, economic development agencies want to make the SMEs service the MNCs better.

The external pressures of regionalization and globalization, as well as the internal pressures of economic restructuring and calls from various quarters of society, have, to put it concisely, inclined the government of Singapore to take these suggestions seriously. A key part of this new thrust is an increasing realization that the old model of exclusive state partnership with MNCs will not sustain the country's long-term development within the region. As regional competition increases and international capital becomes more fluid, it has been, and continues to be, important that Singapore revisit its state-market partnership model. A result of this revisitation has been a greater recognition of the importance of more systematic inclusion of local enterprises in the state-business partnership. Over the past fifteen years, at least, serious economic and institutional reconfigurations have begun, with a bigger role for local entrepreneurs in the next phase of economic development.

By the late 1990s, the two-legged growth model, consisting of MNCs and GLCs as the main engines of the private sector, was being transformed into a three-legged one with the inclusion and consolidation of local businesses in subcontracting roles (Low, 1991). Mechanisms such as market network links are now being examined with a view to cultivating closer cooperation especially between MNCs and SMEs. The aim is to maintain an integrated approach to market governance: one in which all sectors of the economy should complement each other (Chien, 349-351). In other words, rather than viewing the SME sector in isolation as an appendage of the existing model of industrial development, the government seeks to capitalize on the existing strengths of MNCs and GLCs to integrate the SMEs into a sort of intersectoral linkage in various forms of production and exchange whether through subcontracting or joint partnerships between MNCs and SMEs.

In sum, the new economy has posed several challenges to market governance in Singapore: the first is of a more substantive kind -- dealing with loss of competitiveness as the economy advances (Schein 1995). The second challenge is also substantive in that it involves maintaining a technical edge through entrepreneurship in a context of increasing regional competition. The third challenge, however, is rooted in policy and governance, and is a consequence of the first two. It involves the challenge to actively incorporate and assist local enterprises by integrating them into the state-market partnership framework. The fourth challenge, in turn, flows directly from the third, and involves dealing with the complexity of governing a vast array of market actors whose inclusion in the model of state-market partnership fundamentally alters the rules of engagement. The final challenge is the ability of the state to adjust its institutional support mechanisms to accommodate these very dynamic changes at both the domestic and regional levels.

Plans and Programs of the New Economy

In its new vision of regionalization, the Singapore government considered it imperative that a more active role be designed for local enterprises. As the new economy has witnessed a new regional competition, the government has increasingly realized the strategic importance of local businesses and their role in positioning Singapore as a regional hub.

As one EDB interviewee put it,

> the new economy is changing the rules of the game [referring to market governance]. It is no longer big companies that go international. Small companies have to go as well and we have partnership now with smaller companies: nurture them, facilitate them, network them, and even link them with resources and other supporting institutions like financial partners. We [EDB] are trying to create a new kind of market place where local business can play...where big and small business people can meet and collaborate (a program officer at EDB).

The government now seeks to provide institutional support mechanisms by having local chambers of commerce and industry, trade associations and business groups serve as information centres. It also provides training and consultations, fostering cooperation among businesses and assisting with the establishment and consolidation of international linkages as well as the liaising with government agencies (Ministry of Communication and Information, 1988: 53).

The SME Master Plan of 1988 formalizes the new "partnership" between government and local businesses. Its goals include:

> promotion of domestic entrepreneurship and innovation; increasing informational market efficiency by encouraging information exchange and improving the dissemination of information about new methods and opportunities; promoting best practices in business through easy access to consultancy adoption and training; encouraging domestic enterprises to grow and expand internationally.

The five main themes of the SME Master Plan are: 1) technology adoption; 2) business planning and finance; 3) human resource management; 4) productivity improvement and training; and 5) marketing and business partnership (SME Master Plan).

The Singapore Competitiveness Report (SCR) of 1998 defines three tiers of domestic enterprises according to their roles in the economy: first, world-class companies with global orientation, market dominance, strong core competence and brand name; second, strategic value-adding partners and suppliers to MNCs, which tend to be manufacturing companies that indirectly target exports markets via MNCs; third, domestic market-oriented SMEs, which make up most of the domestic enterprises, and are concentrated in the services sector; examples are commerce, construction and real estate (Hew, 2004: 176).

The SCR stresses the need to nurture all three tiers, building complementarities among them, and, also, between them and MNCs. The process of establishing such interlinkages is to include the consolidation and pooling of resources to achieve synergy and competitiveness (basically by developing clusters in related activities); overcoming skilled labor shortages by liaising with organized labour to accelerate skill training, expedite immigration policies that attract foreign professionals as well as work with companies to foster dual-track career paths in management and technical areas (especially for engineers); promote innovation and technology through government financial assistance, closer linkages with MNCs; build indigenous products and global brand names; and expedite regionalization and globalization drive to broaden customer base and technology sources. These are some of the most important strategic initiatives even though the SCR includes other measures.

In 2000, yet another strategic plan was released, titled "SME 21: Positioning Singapore for the Twenty-First century" (Republic of Singapore SME 21, 2000). It is a ten-year strategic plan that builds upon the 1988 SME Master Plan. The fundamental vision of SME 21 is to integrate Singapore's local enterprise development policies with the challenges of becoming a knowledge-based economy. The SME 21 is being implemented jointly by the government and organized market interests, with various components of the policy falling within the jurisdictions of specialized agencies. Moreover, the Singapore Productivity and Standards Board which is now known as SPRING Singapore (SPRING) is mandated to liaise with the EDB in coordinating a multiagency SME 21 Implementation Committee to oversee the implementation of the SME 21 recommendations.

For the policies to have their desired effect, various support measures and schemes were introduced to translate the new policy into concrete programmes of assistance. The government maintains that it wishes to create an atmosphere in which local enterprises will view themselves as *partners* rather than as *beneficiaries* of the government's support mechanisms. It is believed that if they are perceived as beneficiaries, there will be more of a tendency toward a reactive approach to policy implementation. On the other hand, a strategic orientation emphasizing *partnership* would foster a proactive atmosphere in which local enterprises will maintain measured expectations or demands. The government believes it is the only way they can limit, as it were, the crowding of the policy space by various market interests clamouring for its support.

The government's logic reveals a rather instrumental rational approach to policy implementation. There is a fear that "beneficiaries" will compromise the instrumental rationality that is characteristic of market governance in Singapore. They fear that a "beneficiary" mentality on the part of local businesses would put pressure on the government to consider "needs" that do not necessarily fit its preconceived vision and the direction of the market's trajectory.

Singapore has over sixty assistance schemes and programs that cover every stage of a business enterprise "from cradle to maturity" (EDB Report, 1993: 22-23). Listing the details of these schemes would be beyond the scope of this work, since its purpose is to understand the institutions and processes that surround economic policy implementation in Singapore. A condensed list of examples will, therefore, suffice to illustrate the government's attempt to support local enterprises in the new economy. Some of the most popular schemes include: the Local Enterprise Finance Scheme (LEFS); the Local Enterprise Technical Assistance Scheme (LETAS); the Skills Development Fund (SDF); the Corporate Advisers Programme (CAP); the Micro Loan

Programme; the Technology for Enterprise Capability Upgrading (TEC-UP); and Loan Insurance Schemes (LIS).[2]

The schemes cover all phases from start-up and growth of local enterprises to their expansion and, it is hoped, going international. Generally, there are three types of schemes. First are those directed at businesses in general, especially new ones (a program officer, WDA). Second, there are schemes focused on those businesses that face problems related to growth and expansion in the areas of labour management, human resource development, finance, technology, or marketing. Here the government assists with coordinating the interests of businesses with those of organized labour, or simply, provides training assistance to meet human resource needs. Third, some schemes are more strategic and ambitious, directed at assisting firms that seek to go regional or international.

Ironically, the schemes are so many that as one local entrepreneur said to me during an interview, "a large number of business people in this country are somewhat confused about these assistance schemes. Sometimes you go to SPRING [the main coordinating agency for SME 21], and their people [i.e., staff] give you a big volume of pamphlets to look at, or a bunch of websites to visit... I just ask them to suggest one scheme for which I could apply... whatever!" (official member of Singapore Chamber of Commerce).

In addition to all the new schemes and incentives for local enterprises, some institutional reconfigurations have been introduced, creating a new era that is changing the nature of market governance in Singapore. The new economic environment necessitates an institutional support system that has led to the transformation of Singapore's single-agency approach under the leadership of EDB into a multiagency one in which new agencies emerge whose mandate and operations lack the clear organizational delineation and coherence that characterized the earlier era. It has also created a complex environment into which some measure of decentralization or deconcentration has been introduced as institutional support shifted from sole dependence on government agencies to a form of partnership in which organized businesses or federations of businesses are given mandates and resources to assist more closely with implementing the new industrial policies.

In 2001, Singapore suffered one of its worst recessions since the country's independence (Republic of Singapore, 2004). The economy shrank by almost two percent (Low, 2004). It drove home the vulnerability of the new institutional model of Singaporean industrial development policy implementation. The urgency to deepen and broaden the country's industrial base became even greater. In May and September 2002, the Entrepreneurship and Internationalization Sub-Committee (EISC) made several major policy recommendations with regard to industrial diversification and links that reach farther into the twenty-first century. The EISC recommended a forceful encouragement

[2] It should be noted that I find field research in Singapore sometimes frustrating as these acronyms are freely thrown around by policy actors during my interviews, leaving me flipping through policy documents to know which scheme or agency an interviewee may be referring to at any particular point during the conversation. The process can sometimes threaten to compromise one's sanity- but after a while one gets use to it.

of the culture of partnership among MNCs, GLCs and SMEs. Implicit in these recommendations is an acknowledgement of the fact that the institutional support mechanisms are beginning to compromise the coherence of the government's policy implementation processes.

Emerging Issues of Administrative Capacity in the New Economy

A critical feature of the new economy is that it represents the institutional expression of the conscious shift to a new model of economic policy implementation: from a one-stop-service approach under the leadership of the EDB to a multiagency approach. The latter began to assume a distinct shape as part of the effort to enable the government to mobilize the diverse specializations of investment, trade, financial and other related technical government agencies (Quah, 2005). According to one official (a program official) at the Work Development Authority (WDA), "different agencies now oversee implementation of various areas." As an illustration of the complexity of the new institutional environment, and without detailing the meanings of all the acronyms, in addition to the EDB and JTC, other agencies now responsible for helping with coordinating business development in Singapore include the NCB, the TDB, the IDA, SPRING, the EPC, A*STAR, the STB, and the STIF.

Agencies such as the National Computer Board (NCB), the National Productivity Board (NPB), the Singapore Institute of Standards and Industrial Research (SISIR), and the Trade Development Board (TDB), among others, were all created, and older agencies have their mandates expanded, to support the EDB in its work of overseeing the various sectors and sub sectors that manage the complex needs of a highly heterogeneous and large number of small and medium-size enterprises. For instance, the TDB, although it was formed as early as 1983, was a rather passive organization, since local enterprises had no significant part in Singapore's industrial policy. But in 1986, as the new economy took shape and new policies emerged that attended more to local enterprise development, the Small Enterprise Bureau was created (and in 1988 was expanded and renamed the Small Enterprise Division) as an adjunct in the market to the EDB.

Another example is the creation of SPRING, a relatively new agency that has been working with SMEs to develop intersectoral collaboration-- what the agency calls "business fusion groups." Business fusions consist of groups of related companies coming together to share knowledge, experience and ideas. Yet a further example is the WDA, another development agency, which "supports growth industry -- through local manpower development, bridges structural gaps -- through re-skilling people as the economy changes.... [The WDA] also enhances competitiveness in industries by the training of existing workers as a way of supporting the ongoing drive towards increasing industrial competitiveness" (WDA official).

A significant consequence of this strategic switch to a multiagency approach is that the multiplicity of agencies running various schemes in a complex and mature economy that is becoming more regional is challenging institutional coherence and capacity. As the jurisdictions and mandates of these agencies develop and, even, duplicate each other, tensions and strains around cooperation are emerging. The clear leadership that the EDB showed in the old economy is being eroded as other agencies (such as SPRING) see their primary mandate as taking on more policy prominence within the new economy.

Local enterprises are already complaining that there is immense confusion over which agency does what. Dispersed support systems that involve many agencies, a mismatch between affordable and available finance in the private sector, and a weak research and development environment among SMEs (IFER Report) are problems. Even some MNCs are beginning to express doubt about some aspects of the new institutional support mechanisms in Singapore. According to one of my interviewees,

> their [EDB] model has to change from company specific to sector specific. EDB maintains ongoing relationships with partners like the GSK and other MNCs, and that is great, but we see a whole lot more specializations within the Singapore market, and that means some awesome potential for closer cooperation between sectors and between firm levels [production chains]. Focusing on companies rather than sectors may tend to blind one to the bigger picture. (Interview with a CEO, GlaxiSmithKlyne (GSK) Pharmaceutical, Singapore).

For instance, SPRING, as maintained above, has been working with SMEs to develop business fusion groups. One problem, however, is that while SPRING assumes ever greater responsibility for the fostering of SMEs and, even, sees itself as a "de-facto EDB" or central "nerve" for SME, its mission statement and its priorities give the confusing impression that SME development is not the main function of SPRING. Instead it has a vague statement claiming that SPRING seeks to "raise productivity so as to enhance Singapore's competitiveness and economic growth for a better quality of life for our people" (Republic of Singapore, IFER Report). Its relationship with the other agencies, moreover, remains unclear. Even more significantly, so does its relationship to the EDB and the MTI.

Other examples of overlapping mandate include the IT sector, where the IDA is supposed to coordinate the Infocomm Local Industry Upgrading Programme (iLIUP) which serves to nurture closer collaboration between MNCs and SMEs, but with no specific reference to the EDB or SPRING, both of which can support similar functions. The Jurong Town Corporation (JTC) (like the EDB, a pioneer agency during the earlier phases of industrial development) has also expanded its operations to partner with IE Singapore in managing The Enterprise, a program aimed at establishing an international SME business centre that will offer a full range of services to help SMEs set up operations in Singapore and integrate them more effectively into the network of private sector enterprises. All of these agencies serve to "raise productivity so as to enhance Singapore's competitiveness and economic growth" but that, of course, is hardly a clear delineation of their relationship with SPRING, or more important, with the EDB. Meanwhile, SPRING is increasingly carving a role for itself as "the EDB of local enterprises" whereas the EDB continues to see itself as the "central nerve" of market governance and economic policy implementation at the strategic interface of state-market partnership.

In conclusion, the new economy in Singapore has dire implications for a collaborative state-market partnership in governing the market. Administrative capacity, as a function of successful policy implementation, is being compromised by recent developments in the economy and the failure of the state to adapt as well as it has done in the past. Local enterprises are becoming significant and permanent fixtures of the Singapore economy: and the local bourgeoisie in turn are changing, and becoming more confident as strategic players. The configuration of labour is also changing, with increased specialization and emphasis on skill and productivity. The legitimacy of GLCs as strategic complementarities to private sector development is increasingly questioned, with a growing number of calls for them to retreat from the market. Factions and jurisdictional turfs are emerging within the state, as a highly complex economy creates specialized enclaves, thereby worsening the tendency towards fragmentation of visions and strategies about the direction of the knowledge-based economy. Having all these changes within an increasingly internationalized economy operating in an increasingly competitive region only serves to worsen the predicament and the complexity of market governance in a country where the pervasive state has in the past relied on its tight control over market forces and actors.

Institutional Legitimacy

In addition to administrative capacity, another factor central to Singapore's success in pragmatic economic management is the institutional legitimacy of the country's public sector in governing the market and engaging non-state actors. Certain questions are worth addressing in this section. First, how is Singapore able to legitimize its pervasive interventionist role in the economy in exclusive collaborative partnership with key economic policy stakeholders? Second, by what mechanisms has such pervasive control of the process of economic policy formulation and implementation been maintained over time in a supposedly democratic country that has experienced sharp increases in wealth, as well as cosmopolitan exposure to contemporary global ideas? Third, are there signs of changes in the nature of market governance in Singapore with the recent structural transformation in the economy (or the birth of the new economy) over the past decade or so? Finally, and not least, what implications will these changes have for Singapore's collaborative state-market network approach to economic policy implementation?

Understanding these processes and institutions requires an explanation of the nature of the state, its power and autonomy vis-à-vis private societal and market actors, and how these affect the processes of policy formulation and implementation. The significant questions regarding institutional legitimacy as a function of successful economic policy implementation are *why* and *how* Singapore followed a pragmatic interventionist economic policy. In other words, it is not about the "right" or "rational" policies per se, important as these are. Rather, it is about the processes that ensure that such "right" policies are made and effectively implemented. The policies themselves are only reflections of institutionalized power relations among various actors (Rodan, 2006). These institutions are in turn configured to deal with the imperatives of changing economic circumstances. Thus, the aim is an understanding of changing processes and power relations conditioned by wider socioeconomic variables, and their impact on economic policies.

The above issues are addressed in two separate dimensions: initially, one needs to look at state-society relations. Understanding market governance requires, first, an understanding of how the state shapes and consolidates its relationship with society, on the one hand, and how society comes to perceive the state's claim to being a legitimate custodian and distributor of national resources on the other. This relationship can become even more complex when the state undertakes not only to regulate and distribute resources but, also, to participate in direct production and exchange within the market, and also expects to implement economic policies that affect how that very market works.

The other dimension of institutional legitimacy is at the meso level that constitutes the strategic interface of state and market relations. It is at this level too that economic policies are translated into concrete programs. It is at this level that the administrative machinery—particularly, economic development agencies-- operate in and engage with the market. As entities of the state, economic development agencies are often the most direct conduit of industrial development resources and programs. Their specific mandates identify them as tangible points of contact for market actors. Therefore, understanding interventionist economic management requires an investigation of the market legitimacy of economic development agencies. One needs to understand how they are perceived by market actors, and how these perceptions in turn affect the depth and degree to which state-market collaborative network partnerships influence the success of economic policy implementation. Each of these two dimensions will be addressed separately below.

Legitimacy: Government-Citizen Engagement

The uniqueness of Singapore's public policy process, and especially its implementation, can best be appreciated when one considers the physical and strategic, historical, socio-cultural, and political contexts (Leung, 2003; Neher, 1994). In terms of its physical and strategic contexts, Singapore is a small country (about 660 square kilometres) bordered by two unpredictable neighbours, Malaysia and Indonesia. Its small size, however, is not entirely a constraint. As the Committee on Singapore's Competitiveness has pointed out, "...our smallness also allows us to be quick and nimble and enjoy rapid turnaround time [during periods of economic crisis, as in the 1998 Asian financial crisis]." Nevertheless, there is an implicit "siege mentality" in the country, partly as a result of its physical insecurity in an inhospitable and relatively hostile region.

More important, however, is that the significance of institutional legitimacy in its impact on the success of pragmatic economic management is best appreciated by focusing on changing processes and power relations. In other words, state-market relations in Singapore cannot be understood without reference to politics (Haaggard & Low, 2002: 302).

According to one of my interviewees at the East Asian Institute, National University of Singapore, just after coming to power,

> the PAP did not care much for the communist threat-- although ideologically, the PAP was concerned about extreme left-leaning businesses and intellectual tycoons. What they really needed was to strip the old private sector of influence in order to have their way. The natural leaders in Singapore at the time of self-

> government were business tycoons, so they had to be displaced in order to get the Singapore model of state partnership with MNCs. Chinese business elites had organic influence that the PAP did not have among the Chinese masses who formed the majority of the population.

Thus, the PAP was able to use strategic international concerns over the communist menace in the early years of independence to assert and consolidate its hold on power.

Linking up with moderate labour unions within an alliance that seeks to strike a middle course (between the extremes of leftist radicalism and right-wing conservatism), the PAP perceived that it had a sufficiently legitimate basis to embark on a systematic liquidation of any serious political opposition to its hold on power. Under concealment of the same cloud of the communist menace (both imagined and real), and armed with the overwhelming legitimacy provided by its alliance with moderate labour unions, the government was able to exclude and delegitimize more radical labour unions that were not inclined to follow the PAP's pro-Western capitalist path.

It was the extension of this same logic of pro-Western capitalist trajectory that easily justified the PAP's exclusion of local entrepreneurs who were displaying anti-Western sentiments. The PAP contained and circumscribed the domestic bourgeoisie's development as a matter of political strategy, since it suspected links in the early 1960s between elements of this class and oppositionists. The economic development agencies (or statutory boards) and government linked companies (GLC) effectively supplanted much of the domestic bourgeoisie's role and relevance, and defined a market structure based on exclusive partnership with foreign businesses and carefully selected elements of organized labour. Through this model of exclusive state-market partnership and the centrality of economic development agencies, various forms of economic (and social) dependence on the state have been cultivated, reinforcing the legitimacy of the state to strengthen its pervasive control of the path of economic development, with the acquiescence of domestic business, marginalized or liquidated segments of organized labour, and citizens alike.

A key mechanism through which the institutional legitimacy of the public sector has been consolidated is through systematic manipulation of the political context to carve out a dominant or hegemonic role for the government. A related phenomenon is the formation of collaborative elites among certain interests across various sections of the public and private sectors in order to cement the legitimacy of a governing coalition. In the case of Singapore resulted, such as business (mostly MNCs) and organized labour, with the state as the match-maker and, eventually, the midwife of a corporatist network of market governance. Worthington's (2002: 44-51) term "core executive" captures the essence of what this study calls elite coalition. He seeks to understand the formal and informal dimensions of governance in Singapore, describing a core executive that is different from the visible faces that occupy the country's official Executive Cabinet. A significant characteristic of the elite coalition in Singapore is that it consists of highly personalized relational fusion across various sectors. There seems to exist an inner "cabinet" consisting of some members of the official executive cabinet, select members of parliament (MPs), elite members of the administrative machinery, and also privileged representatives of business and labour.

An elite coalition is maintained over time by a process of informal socialization. For instance, the Pyramid Club, which evolved in the mid-1960s, is a mechanism of informal coordination and socialization among government, business, labor, and to a lesser extent, academia (Bellows, 2002: 67). It has a physical location on Goodwill Hill, and provides social and recreational facilities such as dining, swimming, and tennis. The Pyramid Club facilitates regular formal/informal discussions and meetings and works to ensure that the country's various leadership groups from across the various sectors are moving in tandem in terms of setting and implementing goals.

An elite coalition is also maintained and renewed through selective socialization by which new elites are recruited (Hamilton-Hart, 2000) from within the civil service, GLCs, statutory boards and the private sector (including business and labour). The bureaucratic, political, business and a small number of labour elites are integrated through a bourgeois party that uses meritocratic assessment based on educational and other achievements to select the public sector and other political leadership (Worthington, 2002: 10). Because of the high degree of penetration of the state into the market and society, the party's selected elites also penetrate these sectors.

The visible institutions of governance across sectors thus have their invisible equivalent in the form of relational fusions and exclusive elite solidarity. By its very nature, however, the depth of the elite coalition in Singapore can hardly be investigated.[3] Nevertheless, it has implications for economic policy formulation and implementation. It consolidates the legitimacy of the public sector to govern the market with hardly any friction or interruptions in processes (at least until about a decade ago before local entrepreneurs entered the policy arena). Through the elite coalition, the cohesiveness of the state is maintained, thereby reinforcing its legitimacy and the pervasive presence of the public sector in the market. Singapore's leaders are of the same intellectual mould, and have a common vision that is commonly shared as obstinate opposing views within the elite coalition are liquidated.

Institutional legitimacy is further consolidated by institutionalized patronage. This refers to the processes by which the government legitimizes its hegemonic rule through the development of social programs aimed at managing the social order. The legitimacy of the government is consolidated by what has been referred to as a tacit "economic contract" (Worthington, 2002: 10-11) between the government and the electorate. "A social bargain was struck between the government and the public", said one of my interviewees, a Trade Union official, "and the government delivered. The government, businesses and organized labor jointly partnered to deliver on those terms of the social bargain," she added.

Another interviewee asserts that "the PAP has "boiled" governance down to raw pragmatic market development in a rational cost-benefit and materialist way... Every policy issue should be geared toward that goal. One way to describe the model of governance in Singapore is as one of "instrumental rationality"-- that is, a system where

[3] Interviewees in the Singapore public sector are not comfortable discussing such matters.

economic or material well-being is fundamental to the legitimacy of the state. The end state of Singapore is 'homo economicus'" (interview with a professor, National University of Singapore). Thus, social stability and a "depoliticized" policy environment have been aided by a number of distributive policies.

Even though the state has been able to co-opt organized labour into its collaborative governing framework, there was still a felt need for this cooptation to be "serviced by way of material benefits to the working class-- something the PAP did not feel comfortable leaving entirely to market forces" (Rodan, 2006). The PAP recognized early that without substantial improvement in the social and material conditions of Singaporeans, no amount of repression or ideological rhetoric could guarantee its legitimacy to govern the market.

The government is therefore heavily involved in distributive mechanism such as a national savings scheme managed by the Central Provident Fund (CPF) and mass housing programs under the Housing Development Board (HDB) (Marsh, 2006). The CPF scheme is a compulsory pension scheme for every working Singaporean, and employers pay mandatory contributions into this state pension fund on behalf of their employees. The government, from time to time, also "generously" contributes to the CPF some portion of the profits from its public enterprises (GLCs). The housing program has also been widely celebrated for its effectiveness in providing affordable, subsidized accommodation for Singaporeans, with a large majority of citizens (over 90% of households) living in public housing.

The government has thus been able to manage every aspect of life in Singapore and, as a result, has inextricably bound the very welfare of Singaporeans to the "benevolence" of the state. Chua Beng Huat (1998: 62-74) calls it "an ideology of pragmatism" underscoring the fact that the government resorts to manipulative redefinition of the state as a purposive association, but does so through appeals to instrumental rationality and the delivery of material welfare of the people as the basis of its governing legitimacy. The state heavily relies on material improvements for Singaporeans as a concrete testament to the wisdom of institutionalizing its paternalistic and technocratic approach to policy formulation and implementation.

It is becoming increasingly apparent to Singaporeans, however, that policy formulation and implementation in their country lack popular input. Singaporeans increasingly complain (according to an interviewee at the Work Development Agency) that the emphasis on the technocratic approach to policy formulation and implementation, with its reliance on instrumental rationality, has weakened the human face of government and the people's affinity with the institutions that so intricately govern almost every detail of their material and social welfare.

The government's response to this demand for greater participation in the policy process was the establishment of Town Councils, representing a greater collaboration between government and voluntary agencies along ethnic lines in the management of social policies or aspects of economic policies that affect society more directly (according to an interviewee at the Singapore Management University). Most recently the government has also resorted to the establishment of the Community Development Councils (CDCs), as well as of local self help communities, to coordinate policy activities at the constituency level (Huat, 1998: 63). In addition, grassroots parapolitical state institutions such as the People's Associations, Community Centres and Citizens' Consultative Committees -- all linked to the Prime Minister's Office -- became avenues through which support for the government could be fostered and the ideology of economic pragmatism disseminated.

This new conception of state-society relations on the part of the PAP manifested itself in detailed form in the government's "Singapore 21" vision statement, released in April 1999. The central theme of this parliamentary committee report was the need to complete the process of nation building and the prescription of a social and political model that more effectively incorporates citizens into public life. The loose model contained in the report emphasized the "partnership" between government, the private sector and the people. The instrumental nature of this "partnership" is most explicitly explained through the discussions of "civic groups" and how they could be harnessed in the national interest. The encouragement of "active citizenship" by the government has little to do with the acknowledgement of any rights of independent involvement in the policy discourse by Singaporeans. It has more to do with the purported benefits of wider expertise being drawn on to help the government develop its policy, and the consolidation of the government's legitimacy as people develop a sense of involvement in the policy process.

Legitimacy: Administration and Stakeholders

The broader context of economic policy implementation in Singapore is, then, characterized by the government's pervasive dominance, with the PAP discriminatively selecting the interests and actors with whom it wishes to partner. The institutional legitimacy of the government at the broader systemic level (of government-citizen engagement) enables the administrative machinery to govern the market through such selective cooptation and partnership with certain policy stakeholders within the market.

A significant institutional expression of Singapore's state-market partnership is the country's "tripartite structure" of industrial relations management and market governance through the framework of the National Wage Council (NWC), consisting of state representatives, entrepreneurs (until fifteen years ago, mostly foreign) and labour unions (Kuruvilla, Erickson, and Hwang, 2002: 1470-1). Over ninety percent of organized, unionized labour in Singapore has direct institutional affiliation with the PAP-led National Trades Union Congress (NTUC) (Lim, 756-7). The head of the NTUC is even a government minister (Chew and Chew, 2005).

Through its tripartite framework, the government has been able to set annual wage guidelines for the economy as a whole, manage the labour supply and ensure labor peace and discipline. It was, for example, through the NWC that the government implemented its wage restraint programs throughout the early years of industrial development (at least until 1979, when the government introduced a high wage policy to force the pace of economic upgrading and restructuring). Following the 1985 recession, the NWC again provided a ready forum for the support of the government's initiatives for wage restraint and wage reform. According to the NWC (1992):

> The NWC over the years has addressed itself on various issues, other than wage adjustments. These include the two-tiered wage system, job hopping, fringe benefits, CPF increases, exchange rate changes, income distribution...the investment climate, productivity issues, the competitive position of the Singapore economy, wage policy in economic restructuring...and training of workers. For example, it was the recommendation of the NWC that brought about the establishment of the Skills Development Fund (SDF), based on tripartite involvement and direction of workers' training programs.

Another significant characteristic of tripartism is the adoption of its framework by the administrative machinery, especially the economic development agencies, as well as other institutions. For instance, the NWC framework is replicated in the engagement of the EDB with its market partners within the various sectors of the economy (Lim, 2004; Wong, 1995). The tripartite framework is also reproduced in the processes of the Economic Committee of 1985, the Strategic Economic Plan (SEP) of 1991, and a wide range of Master Plans, where representatives of labour and business participate in the formulation of new policies as well as the strategies for their implementation (Paix, 2001; Tan, 2000). Through these various mechanisms and processes, the government reinforces the legitimacy of its economic policy formulation and implementation by drawing upon the resources of the private sector, thereby ensuring widespread support for its policies.

Another mechanism by which the legitimacy of the Singapore government permeated the strategic interface of economic implementation was through the transformation of the administrative machinery. Significant developments occurred between the civil bureaucracy and the executive leadership as part of the consolidation of the government's legitimacy in the early years of self-government (Lee, 1989). The first generation of leaders was quick to see the administrative machinery as a vital instrument of market governance. They believed that an administrative apparatus to implement and, even, design the government's economic policy decisions rapidly and efficiently in close collaboration with select policy stakeholders outside the state was an effective mechanism by which the government can be embedded in the market and thus reinforce its institutional legitimacy to direct national development (interview with a professor, National University of Singapore).

Because the administrative machinery had identified itself with the British colonial government, however, it was not particularly sympathetic to the goals of the newly elected PAP government (Vasil, 2005: 136). One of the observations that have been made about Singapore is that the country inherited a strong administration and effective government from the British, who governed the country until it attained self-government (Huff, 1994). In fact, this is not accurate: the administration the PAP government inherited when it assumed power in June 1959 had significant structural weaknesses. The civil service was not oriented towards pursuing national development (Quah, 1996), and has even been referred to as a "steel frame of administration." Moreover, corruption was endemic in the Singapore public sector.

The PAP embarked on a systematic reorientation of the civil service. It set up the Political Study Centre to raise the awareness of civil servants of the problems facing Singapore (Soon and Tan, 1993: 19). In reality, the PAP effectively co-opted a passive civil service into the strategic policy-implementing arm of the government. The administrative machinery, however, went even further and became an extension of the PAP (permanently oriented to the PAP government's vision) (Seah, 1999: 250-270), inspired by the same instrumental rationality, social activism and sense of development mission as the PAP embodied (Hiok, 1989). It was a calculated measure aimed at appropriating the state administrative apparatus for the delivery of its development programs. Those public servants whose ideas remained adamantly opposed to the PAP were liquidated through various means, such as retirements, dismissals, and the like. The Public Service Commission and the Public Service Division both were given a strategic mandate to serve as institutionalized mechanisms (or watchdogs) through which the PAP reigned over the civil service, transforming it from that "steel frame of administration" into a "tentacle" of the PAP.

The success of the transformation was so complete that the PAP and the administrative machinery are now indistinguishable (interview with an official at Singapore's Civil Service College). The process of policy formulation is thus highly internalized and detached from the public. Examination of the PAP's reorientation of the bureaucracy reveals a deeply politicized administrative environment (Rodan, 1996; 2006; Leung, 2003) tailored into an extension of the PAP itself. On the other hand, the technocratic nature of the policy process is detached from popular input and feedback. Within this administrative environment, the Singapore government has thus positioned itself as the sole and "legitimate" embodiment of development. It is able to freely and effectively use the administrative machinery to implement its economic policies with a rational serenity and paternalism that can evoke the envy of governments in Western liberal democracies where the policy process tends to be a great deal messier.

Changing Dynamics of Legitimacy in the New Economy and Polity

The mid-1980s has come to be seen as the watershed period that ushered in a new economy and polity. Nineteen eighty-four was the year Singaporeans delivered a message of discontentment with the political status quo. After the recession of the middle of that decade, the economy and polity took on different contours in the landscape of market governance. Adding to the problem of the recession, in the 1984 general elections the PAP lost a considerable percentage of total votes for the first time (with a 13 percent swing in votes against them), eroding the landslide victory to which they have been accustomed since the late 1950s. The PAP has never been able to return to its pre-1984 levels of popularity. This decline in electoral support in the mid-1980s came just as the PAP was engineering the complex transition to a second generation of leaders that would culminate in Goh Chok Tong taking over from Lee Kuan Yew as Prime Minister in 1990.

There have, moreover, been hints at the possibility of cracks within the PAP coalition as second generation leaders strive to establish spheres of influence, even as they lack or appear to lack the self-confidence, self-righteousness and manipulative dexterity of the previous leadership (Bellows, 2001). For instance, personality differences have revealed strained relations, and, even, a widening chasm between those loyal to the present Prime Minister, Lee Hsien Loong (son of Lee Kuan Yew, Singapore's Prime Minister from 1959 to 1990) and "opponents" who resent what they consider to be Lee Hsien Loong's "arrogance and bad temper" (interview with faculty member, Lee Kuan Yew School of Public Policy).

Furthermore, the economic recession of the mid-1980s shook the foundations of the Singapore economy and, ultimately, led to a reconfiguration of the country's model of state-market partnership over the past fifteen years. The new economic reality was increasingly characterized by aggressive globalization and regional competition, threatening the pervasive grip of the government over the trajectory of the economy.

The social compact or "economic contract" (of delivering and redistributing the national wealth) on which the government has partly premised its institutional legitimacy is now eroding, as inequality rises and social mobility decreases amid the structural limits created by the consolidation of privileged classes and elites (Lee, 1999). The new economy is marked by inherent complexities that undermine the notion of "common" interests (Wong, 2000) by which the government has up to now maintained its hegemonic, depoliticized and technocratic domination of the policy process.

Autonomous spaces of discontentment are, in other words, asserting themselves in certain quarters of Singapore society. According to a trade union official, "the 'new economy' means that in a mature economy things have become a bit more complex to manage. One policy issue can affect a whole lot more sectors. So people are asking for more participation and voice...to know what is going on. Now the government may have to start dealing with that" (Interview with an NTUC official). Another interviewee put things in similar terms, commenting that market governance

> must now grapple with certain things: first, the economy is changing -- more porous, insecure, and more regional competition -- so labour security is also changing. Second, Singapore is becoming a post-materialist society, the marginal utility of an extra income is getting lower -- so the demands for participation, accountability, and a change of the social compact itself are increasing. And third, the SME policies have raised expectation among the local entrepreneurs. They want a seat at the policy table rather than relying on the 'bones' falling from the old model of business-government partnership (Professor, LKY School of Public Policy).

The implication for legitimacy is that governance of the market must take on new dimensions if it is to be directed. In terms of economic policy implementation, it means the restructuring of domestic economic processes (Rodan, 1996: 138). The new economy necessitates a different collaboration with, or inclusion of, elements of the domestic business class in the governing framework of state-market partnership (En, 1998).

Given that a fundamental part of the economic restructuring is an increased emphasis on local enterprise development, the character of market legitimacy of the state would require some reconfiguration under the new market arrangements (Lee, 1998). First, SMEs, unlike MNCs, have a much wider representation and very heterogeneous interests, thus require a more complex type of state-business partnership. This complexity is already being reflected in the move from the single agency to the multiagency approach to business development.

Moreover, MNCs were essentially owned and run by foreigners in Singapore. Their approach to participation in policy formulation and implementation has the measured modesty and caution of "outsiders" within the political arena. Local entrepreneurs, on the other hand, do feel a greater sense of ownership of the policy arena. The implication here is that the serenity and instrumental rationality of policy negotiation and implementation are beginning to witness a more convoluted process of widely heterogeneous demands and largely politically enfranchised interests that have higher expectations of or make greater demands on government agencies. There have been instances of tension in relationships between the state and local entrepreneurs especially during times of recession (most recently in 2001), when the latter complained that institutional support mechanisms are still partial to the MNCs, which bring in greater value and benefits for every dollar and manhour spent on investment promotion (Low, 2001: 197). Local entrepreneurs perceive (rightly or wrongly) that the focus on them is an afterthought of the government, rather than a really strategic reorientation of state-market relations. What needs to be appreciated is that the new breeds of entrepreneurs are better educated professionals who have the expertise as well as the gumption to be in their business. They have also moved upmarket and into modern sophisticated products, and some have even become original equipments manufacturers (OEM) (Low, 2001: 198).

As the economy continues to undergo its restructuring, moreover, even tripartism as a mechanism of industrial relations and economic management is beginning to reflect the imperatives of the new economy. The move to an innovation-oriented economy necessitates an emphasis on higher labour productivity management, not the wage costs control management that has been the focus of the government. This imperative is dictated by the emergence of cheaper labour markets in other economies within the region. Wage cost monitoring is thus proving to be a less useful strategy in enhancing national competitiveness. There are serious implications for tripartism in Singapore. The emphasis will be on the qualitative improvement of labor measured by total factor productivity (TFP growth -- which means changes in output generated per unit of input) (interview with faculty member, School of Public Policy).

Already, the NWC is expanding their mandate to include more activities and programs around labour productivity enhancement, such as human resource development, skills training, and so on (Rosalind Chew). What this implies is that in tight labor markets industrial relations for the purpose of pragmatic economic management must shift emphasis from wage control to productivity enhancement. The economic imperative of regional competition and a knowledge-based economy demand a redirection away from hierarchical management of labor to more horizontal inducement of the country's human resources.

The challenge now is that the government's bargaining strength over labour management is weakening as the institutional framework moves towards increasing dependence on labour's cooperation and compliance with the government's new strategic thrust. It is in this context that NTUC Secretary General Lim Bon Heng has called for a "new compact" whereby employers accept greater responsibility for boosting employee skill levels to cope with a changing economy, in return for which workers must cooperate with wage flexibility and productivity-based measures (Strait Times, 2004).[4]

The government has been able to maintain the social compact with organized labour, in which they deliver on economic growth and other social welfare provisions in return for close management of labour, including wages and productivity. In a mature economy with high wages, however, the marginal utility of an extra income or some other extra material provision progressively diminishes, making organized labour's inclination and ability to cooperative ever less likely.

Another implication of these recent changes for Singapore is that they undermine the rhetorical and/or real conceptualization of a distinct Asian model of governance. As ideas and people increasingly travel in and out of Singapore, and the country continues to integrate into the world as a highly cosmopolitan city-state, notions of "Asian distinctness" are coming under threat in the new polity (Roy, 1994: 231). As one of my interviewees maintained,

> Lee Kuan Yew claims to believe in core Asian values or Confucian values. But I have often wondered whether these beliefs are really shared by society or whether they are embraced by the elites as a way of 'tattooing' the authority of their regime into the collective psyche of Singaporeans. I have asked myself, could this be an example of where a strong state actually defines society and constructs a kind of identity around ethnonationalism, and things like that? Singaporeans are increasingly asking, 'How could Singapore being a society made of Chinese, Malays, Tamils make reference to Confucianism as its guiding principle of governance?' (a civil servant, Ministry of Trade and Industry).

In concluding, the exclusive nature of network partnerships in policy implementation is increasingly being questioned by Singaporeans who now see themselves in a somewhat different light as a democratic society (Huat, 1998). Singaporeans are, moreover, feeling increasingly materially secure and intellectually confident. There is an emerging assertiveness in society. The greatest challenge facing contemporary market governance in Singapore, then, is that while the administrative state was born out of the necessities of the early years of material deprivation, unemployment and political survival, the new economic and political realities are challenging its legitimacy.

Conclusion

The discussion in this chapter has examined economic policy implementation in Singapore: a country where the management of the economy is characterized by an active intervention of the state in the market. It addressed the effects of administrative capacity and institutional legitimacy on Singapore's engagement with non-state economic policy actors in the pursuit of the goals of fostering private sector development. It

[4] The Largest Newspaper in circulation in Singapore.

examined the flexible nature of Singapore's economic planning and the well coordinated network of public agencies as central elements that explain the country's economic success. The discussion also addressed the model of governance that characterizes the relationship between the state and the market. The state's partnership with the market has included both business and organized labour as integral stakeholders in the process of economic policy implementation. Further, the changing institutional and political mechanics that surround the rather complex partnership between the public and private sectors in Singapore were examined, and also the changing character of that partnership towards greater inclusion of local market actors. Finally, the discussion maintained that in recent years it has become increasingly apparent that the government is not able to successfully make the adjustments to its institutions and processes that are necessary to maintain its administrative capacity and institutional legitimacy to govern the new economy with the new set of local market actors, as well as with the increasing demands for greater public involvement.

Chapter 6
Economic Policy Implementation:
The Case of Botswana

Introduction

This chapter examines economic policy implementation in Botswana, a country where the state is actively engaged in management of the economy and, the government's model of economic development is leading it to embark on the implementation of private sector development policies. The discussion, therefore, focuses on the nature of economic pragmatism in Botswana, looking at the institutional mechanisms by which the state engages the market in implementing its private sector development policies. It also looks at the properties of governance that characterize the relationship between the state and the market, including business and organized labour as integral stakeholders in the process of economic policy implementation.

The questions that weave the analysis together include the following: What elements constitute economic pragmatism in Botswana? What factors account for the paradox of both successful macroeconomic management and a largely lackluster private sector development policy implementation? How does the Botswana state, in the process of private sector development policy implementation, conceptualize market governance in relation to business and labour? And finally, to what extent has market governance reflected and adapted to the changing conditions of politics and the market in enhancing the success of economic policy implementation?

The present chapter examines the above issues by considering the effects of administrative capacity and institutional legitimacy on the central aspects of Botswana's attempt at national development by diversifying its economy and strengthening the capacity of the domestic market. It therefore looks at the administrative processes and institutional properties of economic policy implementation and the successes and/or failures of pragmatic economic management in Botswana.

Unlike most governments in Africa, Botswana gained independence with a clear and urgent vision to forge a strong and viable nation that could resist the geopolitical threat from its giant neighbour, South Africa (Lewis Jr., 1995). Successive governments of Botswana since independence have continued to conceptualize their mission principally in terms of developing the economy of this newly independent nation, and in the course of doing so have established institutional mechanisms through which the country's administrative machinery could be given the requisite administrative capacity and institutional legitimacy to steer the market towards well-articulated economic development goals (Charlton, 1991: 265-7). Several observations have been made about the country's achievements. They include:

> the efficient economic management and central planning of a mining economy; the nationalization of natural resources and of the commanding heights of the economy (e.g. the mineral wealth and the beef industry); the design and implementation of successful negotiation strategies by a weak and underdeveloped economy vis-à-vis powerful states and multinational companies;

> and the reduction...of dependency relations with South Africa... (Stedman, 1995: 189).

A key dimension of national development, however, was not only the exploiting of the country's static and natural advantages in mining precious minerals, but also the significant development of the private sector as the engine of growth and development by diversifying the country's economy through market capacity building policies and incentive structures that would transform and strengthen the private sector (Harvey, 1997: 350).

The discussion of pragmatic economic management in Botswana requires for context an outline of the nature and structure of the country's economy. That is followed by a brief historical overview of the country's economic development, throwing light on the role of the state in the economy. Against this background, the rest of the chapter will then examine the Botswanan government's experience with private sector development policy implementation in collaboration with market actors: i.e., business and labour.

Pragmatic Economic Management in Botswana

One of the attributes of Botswana that makes it outstanding in the sub-Saharan African region is the recognition by the country's leadership since national independence in 1965 that the state and market are not necessarily opposed. In much of Africa, immediately after independence, the new governments resorted to nationalization of private enterprises. Professor Sharma of the University of Botswana puts it succinctly when he observes that

> in Africa, nationalism, ideology and revolutionary demagoguery characterized the government's relationship with the market. Countries nationalized and crowded out the private sector, seen as a mechanism of exploitation. This was not the case in Botswana. The African states realized in due course that the state does not have the capacity to perform the task it has undertaken. Corruption and mismanagement were widespread (interview with Professor Sharma, University of Botswana).

Statism was the national ideology across the continent (Levy and Kpundeh, 2004). Botswana took a rather different path. Since the country's independence in the mid-1960s, Botswana, has followed a pragmatic course to development, with a mixture of state intervention and openness to market forces (Raphaeli, Nimrod, et al, 1984). Botswana's economy at independence was highly underdeveloped and backward, even compared to other African countries that had a more fortunate colonial history. Because of the virtual neglect of Botswana by its colonial masters, the country's leadership inherited a virtual physical and economic "barren wasteland" at independence (Mmusi, 1998: 13).

In the absence of any vibrant private sector and effective public institutions, the new government of Botswana embarked on a systematic effort to provide essential infrastructures for economic and social development. The government initiated large-scale infrastructural development as a foundation for economic development and nation building. With the discovery of diamonds in Botswana, the government, through its successful partnership with foreign mining companies, gained access to large revenues that it was able to direct to the expansion of more projects in large-scale transport and communications infrastructures. Diamond mining forms a major portion of government revenue. The government of Botswana collects between 75 and 80 percent of the profits of the diamond industry through a combination of royalty payments, profit tax, withholding tax on remitted dividends, and dividends received by virtue of its 50% shareholding in the diamond mining company. During the 1990s and up to 2005, mineral revenues accounted for 40 to 50 percent of total government revenue and grants.

With its large revenues from the exploitation and sale of diamonds and other precious minerals, the government of Botswana is also able to engage in developing the country's education and health facilities, as well as strengthening its traditional agricultural and cattle industries (Leith, 2005) (although agriculture's contribution to GDP has been in steady decline over the past twenty years as diamond exploitation expands and takes over the economy). Central to the government's approach to national development was the management of its national resources to create an environment conducive to economic development.

The immense development undertakings of the government required the expansion of the public sector and the creation of new ministries and agencies to manage them. In particular, public enterprises were established, with their principal mandate the provision of a whole range of urgently needed social and infrastructural services that were beyond the capacity of the country's severely underdeveloped private sector (Tsie, 1995: 73-102). The public sector in Botswana, comprising the central government, local governments, and public agencies, is the largest organization in the country in terms of breadth of services delivered, number of beneficiaries under its jurisdiction, regional distribution of services provided, and assets and expenditures under its management (Hope, 2002: 22).

Since independence, therefore, Botswana's economy has been (and still is) dominated by the government, with general government provision of services accounting for more than a sixth of the country's GDP (Nordas, 2000: 3). Current government consumption accounts for almost 29% of GDP, far above the world average of 15% and middle-income countries' average of 12%. Good economic performance has enabled the government to consistently increase its expenditures, covering all areas of social and economic infrastructure, as well as services (Hope, 1998).

Over the past 30 years, if one is to go by macroeconomic indices, the performance of the government in managing the economy has been admirable (Macroeconomic Outline for National Development Plan 8). By various indicators of good management, Botswana has maintained an impressive record in its practice of prudent economic management, its commitment to keep an environment that is conducive to private investment and, even, its persistent engagement in active development of the private sector (Hope, 2002: 1) -- although its persistence with private sector development has not produced expected results. In spite of a slowing of the recent growth rate in 2004/5 to about 5% as a result of lower output in the mining sector and sluggishness in the global commodities market (Budget Speech 2005), the Botswanan economy continues to perform well, with an average growth rate of about 8% over the past 30-year period.

Macroeconomic Success: An Evaluation

For a deeper appreciation of the country's experience with economic management, one needs to understand the centrality of development planning as a model of pragmatic economic management in Botswana, and how this shaped the structure and process of public management and policy implementation.

The first official organization in independent Botswana was a Central Planning Unit in the then Ministry of Finance, with a staff of only three (World Bank Special Report, 1975: 21). In 1970 the Planning Ministry was merged with the Ministry of Finance, and the central planning organ is now the Division of Economic Affairs in the Ministry of Finance and Development Planning (MFDP). In order to ensure that the National Development Plans are closely followed, planning units were created within the key ministries that deal directly with issues of development and coordinate very closely within MFDP (Nimrod, Raphaeli et al, 1984: 17-30). Up to date, the MFDP remains the central coordinating "nerve" of the Botswanan economy.

Compared with much of Africa, economic management in Botswana has certainly performed very well, with a per capita income of over $3000 and a steady positive economic growth averaging more than 8% per annum over the past 30 years. It is even considered to have been one of the fastest growing economies in the world between 1965 and 1998 (World Bank, 2000). The macroeconomic indicators, though, hide certain structural weaknesses in the Botswanan economy (Gergis, 1997). On closer inspection, one finds social and economic vulnerabilities that belie the claim of successful economic management.

The structure of the Botswanan economy is fragile in that it is largely mineral dependent (Republic of Botswana, 2004). Poverty and inequality are persistent and, even, of growing concern, with more than half the rural population (55 percent) and a considerable proportion of the urban population (30 percent) having incomes inadequate to meet basic needs (Hope, 2002: 6). Overall, about 43 percent of Botswanan households live in poverty (Hubbard, 1998). Despite government provision of services for redistributive purposes, Botswana has high income inequality, with a Gini-coefficient estimated at 0.56, one of the highest in the world (Nordas, 2000: 11).

Economic Diversification in Botswana

As part of its model of pragmatic economic management over the past 30 years, the Botswanan government has employed various policy instruments aimed at encouraging and supporting the development of new industries so as to diversify its economy away from dependence on mineral (mostly diamond) and beef exports. Because of the mineral dependent nature of the economy, private sector development in Botswana is rightly referred to as "economic diversification" (Hope, 2002: 10-21). Central to the state's development strategy towards economic self-reliance and sustainability was the policy stance of strategic and purposive resource allocation across sectors and industries, and the creation of public agencies to promote and nurture the country's private sector (interview with a senior official, Planning Division, MFDP).

A key element in the economic intervention of the government was to develop the country's private sector as a strategic partner in achieving the aspirations of minimizing poverty, unemployment and inequality (Mmusi, 1998: 13). Since the private sector was very weak, the state took on the task of nurturing the market with the hope of strengthening the partnership as the private sector develops (Republic of Botswana, 2000: 3-4).

The view of the government was that "it must intervene in the economy in various ways, not to frustrate the initiative of private individuals and companies but rather to assist, guide and direct them in ways that are consistent with the objectives of national development" (Mmusi, 1998: 15). Various policies were developed in pursuit of this goal of private sector development, and these included the use of development planning to reallocate or direct capital resources into business development (Isaksen, 1981; Mmusi, 1998: 14-16).

The government also introduced the Industrial Policy (IP) of 1974 which, along with the National Development Plans (NDPs),[5] created the initial framework for the Industrial Development Policy (IDP) of 1984 (Republic of Botswana, 1984).[6] The IP and IDP were themselves rooted in the Industrial Development Act (IDA) of 1968[7] (revised in 1988, and revisited in the late 1990s). The underlying purposes of the government's industrial policies were to take practical steps beyond legal and regulatory instruments and to engage in targeted entrepreneurial development incentive and support mechanisms.

A Local Preference Scheme (LPS) was also put in place in 1978 with the intention of improving the competitiveness of local entrepreneurs, especially manufacturers, when they tendered for government supply contracts by giving them an advantage over foreign firms through a price discount of 40 percent of their local content. The Local Preference Scheme was revised in 1987 and, in 1997, replaced by the Local Procurement Programme (LPP). It was a discriminatory and protectionist practice directed at building the capacity of local industries relative to foreign competitors.

The most significant policy tool of the government in pursuing economic diversification, however, was the Financial Assistance Plan (FAP) introduced in 1982 (Siwawa-Ndai, 1997: 335-352). The FAP put into practice the government's pronouncements on industrial development, and was a direct outflow from the government's adoption of the National Policy on Economic Opportunities following the Report of the Presidential Commission on Economic Opportunities of 1982 (Report of the Presidential Commission on Economic Opportunities, 1982). The FAP was to expand the business opportunities and entrepreneurial capacity of, primarily Batswana (Botswanan citizens). Its four-fold objectives are:

[5] All the National Development Plans (NDPs) of Botswana since the early 1970s have had a section on industrial policy and economic diversification that were pronouncements about the government's intention to foster sustainable industrial activity in the non-mineral sector.

[6] (Republic of Botswana, 1984), Industrial Development Policy, Government Paper No. 2 of 1984).

[7] Republic of Botswana, 1968, 1988, 1997.

> diversification of the economy to lessen its dependence on large scale mining ventures, beef exports and the growth of the public sector; production of goods and services for exports or import substitution; creation of sustainable employment for unskilled workers; and the up-grading of citizen skill level through training (Industrial Development Policy, Government White Paper No 2 of 1984, Gaborone, Government Printer, 1984: 11).

The FAP provides capital and labour grants to new and/or expanding businesses and also enterprises seeking to build links across industrial sectors. After some popular disenchantment with its results, the Financial Assistance Policy was eventually merged into the Citizen Empowerment Development Agency (CEDA) in the late 1990s, as discussed below.

In addition to the FAP there was the Selebi-Phikwe Regional Development Programme (SPRDP) of 1988, which was designed to offer tax breaks and rates lower than the usual corporate taxes. The SPRDP was phased out in 1996, and its investment promotion activities were merged with those of the Botswana Trade and Investment Promotion Agency (TIPA). The TIPA was, in turn, transformed into the Botswana Export Development and Investment Agency (BEDIA) in 1997 as part of the renewed effort toward economic diversification.

State-Market Partnership: The Role of Development Agencies

The policy implementation strategy of the government of Botswana is to create public agencies that can complement the operations of the main ministries in supporting the private sector (National Development Plan 9). These agencies are given specific mandates in a particular area of private sector development, such as financial or capital support, market information services, assistance with technology and technical upgrades in production processes, entrepreneurial skills training, product market creation, and so on (interview with executive officer, BOCCIM). Several of these agencies created over the past three decades were designed to be specialized extensions of the state's administrative machinery-- outward expansions of the government into the market in strategic collaboration with market actors. This section examines the mandates of these private sector development agencies, their operational connection to main ministries as components of the public sector, and their links with each other, as well as with the private sector as "tentacles" of the state in the market. The aim is ultimately to assess the extent to which these institutional configurations and processes affect the implementation of economic diversification policies.

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

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

The implementation capacity of the government has been undermined by the lack of coherent and coordinated processes among private sector development agencies. It raises concerns about the impact of the public sector's hierarchical rigidities on the one hand, and weak or unclear mandates for agencies on the other, on the policy autonomy of public agencies and their ability to engage in strategic collaboration or partnership with the private sector.

Before delving deeper into an analytical evaluation of the issues outlined above, however, it will be instructive to put the discussion into proper perspective by giving a brief overview of the role of agencies in Botswana's experience with private sector development policy implementation. The analysis given below focuses on the operational mandates and activities of some of the more important agencies so as to illuminate the nature of the government's activities in economic diversification. This section of the analysis focuses on the Botswana Development Corporation (BDC) as a hub of industrial policy over the past 30 years. The next section looks at other, more recent, agencies created in the new wave of economic diversification as the state adapts its engagement with the market to changing circumstances of politics and the economy.

The BDC was established in 1970 as a financial and investment capital support agency whose primary mandate is to actively participate in joint ventures investments as a mechanism of financing private sector projects (Budget Speech, 2004). The BDC is the main arm of state intervention in industry. Its terms of reference include: identification of business opportunities in industry, commerce and agriculture; undertaking the related detailed feasibility studies and engagement with potential investors in specific projects; promotion of indigenous industrial and commercial entrepreneurs; and participation in the equity promotion of new ventures in partnership, where appropriate, with foreign capital (interview with BDC official). Private partners are expected to exercise managerial and entrepreneurial responsibility under the supervision of the BDC as the supporting agency. The BDC also assists start-ups (called "green-field" projects in Botswana) whose risks may be high but that are still considered to hold strategic market developmental potentials. Part of its operational strategy has also been to build business property, hotels, offices, and other industrial buildings which are rented out to private entrepreneurs. BDC's partnership with the private sector is "project specific"-- i.e., the BDC's private sector partners agree on a certain percentage of shareholding, and take responsibility for the running of their businesses.

After years of implementation of economic diversification, however, the depth and spatial distribution of private sector activities in Botswana remain shallow and narrow. Inter-sectoral diversity and production links are weak in the economy. Private sector activities are mostly concentrated in the capital city Gaborone, Francistown, and in Lobatse, another industrial town, to the virtual exclusion of much of the country (Tsie, 1995: 83-96). The failure of the economic diversification of Botswana's economy is revealed in the fact that unemployment remains a problem, and some goods and services provided by the local market are not meeting the increasing requirements of international competition, while at the same time domestic resource consumption is also increasing (Hope, 2002: 23). Entrepreneurial capacity still remains low. The economy is still by and large lop-sided with overdependence on mining. According to a BIDPA study,

> despite continued positive growth rates, the economy remains comparatively undiversified, with mining and the public sector continuing to dominate. The government's ability to finance major infrastructure projects as well as big improvements in welfare provision continue to be from revenues earned from diamond exports... Failure to diversify the economy rather than relying heavily on diamonds and meat constitutes the most fundamental bottleneck that undermines future growth (BIDPA World Paper No. 6, 1997: 6).

There is a plethora of low-efficiency service sector companies mostly in commercial distribution and mostly small-scale, with low sustainability.

"Industry" in Botswana cannot reasonably be said to include a vibrant manufacturing sector but, rather, does include a predominant mining sector: a non-renewable resource (Nordas, 2000: 6). Moreover, agriculture, one of the traditional industries, has not only stagnated; even worse, it has witnessed a steady decline in its proportional contribution to the country's GDP (Siwawa-Ndai, 1997: 340-8). This has resulted in a genuine perplexity over the question of the right strategies and tools for attaining national development objectives. The complication is further compounded by the fact that by most, if not all, macroeconomic indicators, Botswana has an ideal monetary and fiscal environment for private sector development (interview with senior official, MFDP), being one of the best managed economies (in fiscal, monetary and, even, regulatory terms) in Africa. The much-celebrated economic growth alluded to earlier, while impressive at face value, seems, on closer inspection, to be a statistical illusion, since it does not affect the whole economy. It is growth without employment, magnifying the prospects of increased poverty and inequality into the foreseeable future.

Renewed Impetus Towards Economic Diversification

Fortunately, the government of Botswana has not been deceived by the illusion of "economic growth". Over the past decade, it has newly emphasized economic diversification as a policy priority (National Development Plan 9). (Mentz, 1983: 115-125). In light of the revelation of the structural weakness of the economy and the attendant crisis of unemployment, the urgency of a more strategic direction for economic management became clear to the government. Fidzani traces the history of development planning in Botswana from 1966 to 1997, highlighting the main theme that characterized each plan with the implication that in recent years, development plans became more focused, concrete and specific in their articulation of economic diversification as a national development goal (BOCCIM Annual Conference Report, 2004: 90-91). Within the public sector the issues of industrial development and employment creation are now taken more seriously, given the increasing politicization of the unemployment crisis (Lisenda, 1999). A key element of the new drive toward economic diversification, therefore, is the recognition of the need to strengthen state-market partnership.

The empirical observations made as part of this study confirm the centrality of state-market partnership in the recent rejuvenation of economic diversification as a development policy priority. According to an executive of the BOCCIM (the representative of businesses in Botswana), the organization is now an integral part of all policy planning and implementation. He continued by saying that "before 1996 we [the BOCCIM] had meetings every two years with the government, but now every ministry of government has to meet with BOCCIM four times a year. And the whole government meets with the private sector two times a year" (interview with BOCCIM executive member). An officer of the Bank of Botswana also adds that

> BOCCIM is key to the government's partnership framework. BOCCIM sits on the councils and boards responsible for the national development plans with the aim of redirecting every aspect of economic diversification. The private sector is becoming quite strong in getting the things they want. Also politicians are friends of private sector interests. The High Level Consultative Council (HLCC) consisting of the government and private sector and other societal interests is consistent, and meets twice a year- so this is not just an ad hoc relationship.... Added to these high-level meetings are sectoral representations where hence private sector representatives meet with government sectoral representatives (interview with a monetary policy officer, Bank of Botswana).

Furthermore, in another interview, a senior civil servant at MFDP confirmed the new direction of partnership in his observation that "the private sector, represented by BOCCIM, has a growing relationship with the government through the High Level Consultative Council (HLCC). Each Ministry has a HLCC forum." (Planning Officer, MFDP). A professor at the University of Botswana also noted the BOCCIM's "constant dialogue with the government," adding that even the BDC as an agency now seeks to foster a closer and more strategic partnership with the private sector.

From the above interview responses from various actors and observers of economic management in Botswana, it is clear that a key element of the new thrust of economic diversification is the strengthening of state-market partnership. At the National Business Conference held in 2002 between the private and public sectors, the emphasis was on the need to recognize the urgency of strategic partnership as encompassing the responsibilities of public and private sectors in the formulation of export strategies and the support of private sector development (BOCCIM Director, National Business Conference, 2002). Fundamental to this partnership is a joint collaboration in improving and streamlining production processes, business management and international commodity marketing toward more effective penetration of world markets.

The centrality of partnership between government and business, as the framework of private sector development towards economic diversification, is given various institutional expressions geared to consolidating its synergies and embedding it in actual processes of governance. One such institutionalization is the introduction of a bi-annual National Business Conference. In the 2002 and 2004 conference proceedings report (National Business Conference), the "Executive Summary" section documents the satisfaction of the private sector with the government's response to the recommendations coming out of these conferences, maintaining that they reflect "real partnership between government and the private sector that has led to tangible results."

Moreover, the High Level Consultative Council (HLCC) (referred to in the interview responses) has been established to promote dialogue between the government and the business community on pertinent economic and development issues, reflecting a new approach to governance that seeks to accommodate organized societal interests (Carroll and Carroll, 2004). There is now even much mention of a "Tripartite Task Force" involving government, the private sector and the labour movement under the auspices of the HLCC, to be formed for the purpose of identifying missing elements and ensuring coherence in the formulation and implementation of economic diversification policies. Furthermore, economic diversification has received due priority in various government policy pronouncements. In fact, the theme for the National Development Plan 8 (NDP 8) in the late 1990s and early 2000s was "Sustainable Economic Diversification".

Another element of the new thrust is the revamping of old economic diversification schemes and agencies, and the creation of new ones to reflect the greater policy priority or, even, urgency of private sector development. According to the Minister of Finance and Development Planning, several policies and public sector reforms have been introduced in recent years to enhance the economic diversification drive (Minister of Finance, National Business Conference, 2004). The FAP scheme has been reformulated into the Citizen Entrepreneurial Development Agency (CEDA). The CEDA provides financial assistance through subsidized loans, with the rate of interest and the repayment period much more liberal than in the "natural" market. A venture capital fund under the CEDA also provides a window for joint business ventures between citizens and foreign investors. The CEDA's new approach has a more strategic thrust inasmuch as rather than merely doling out loans and capital grants, it works more closely with organized market interests in identifying new skills gaps at the pre-appraisal stage of projects, with the objective of helping investors refine their ideas. At the end of January 2005, the CEDA had approved 1211 applications which have created 7305 jobs (Budget Speech, 2005). It also focuses on improving the level of access for small borrowers in collaboration with the Local Enterprise Authority (LEA), an agency that has recently (in 2004) been made responsible for economy-wide business training and business plan development for entrepreneurs. As one of the interviewees maintained, "FAP's failure to succeed was in part due to weak local entrepreneurship. We have the Local Entrepreneurship Agency looking at skills at the lower level-- for the purpose of enabling them to compete" (interview with middle-level official, BEDIA). The CEDA's operational collaboration with LEA in engaging entrepreneurs is a significant development, because it reflects an increased recognition of the need for agency interlinkage towards more operational coherence. This anecdotal evidence of interagency cooperation does not, however, necessarily reflect sufficient evidence of systemic reorientation to integrated processes among agencies engaged in economic diversification.

Two new and more strategically focused agencies-- the Botswana Export Development and Investment Authority (BEDIA) and the International Financial Services Centre (IFSC) -- were created in the late 1990s. The BEDIA was created in 1998. As its name suggests, its primary mandate is to attract foreign investments into Botswana and, even more important, to build production and exchange links between local and foreign firms, across both sectors of the economy and various grades in the production process: i.e., creating cross-sectoral, as well as forward-backward, links in the economy. In the words of one of the BEDIA officials, the organization:

> ... advocates on companies' behalf about policies that hinder them; speeds up the process of work and immigration permits; advocates on land allocation to firms at a faster rate; seeks to overcome Botswana's natural obstacles/constraints by entering into closer regional cooperation with members of SADC -- a market of more than 200 million people, and also with international markets in the US and Europe; gives out corporate tax of 15% (but may phase out soon). FAP failed partly because of poor monitoring and supervision. BEDIA seeks to prevent a reccurrence by strengthening supervision of financial assistance schemes. We have embarked on series of workshops and training seminars under the Ministry of Trade and Industry.

In its investment promotion efforts, the BEDIA works closely with the BOCCIM in identifying potential investors with a special emphasis on resource-based industries that add value to the locally available raw materials. The BEDIA also focuses on assisting local manufacturers in accessing export markets through facilitation of participation in international trade fairs and promotional missions in target markets. In an effort to improve service delivery to investors, the BEDIA has established a "one-stop service centre" to expedite the processes involved in getting clearances for setting up a business. The BOCCIM in turn provides information to its members about one-stop service and other initiatives of the government. The major limitation of this "one-stop-service" initiative, however, is that line ministries are still preoccupied with bureaucratic processes that often frustrate even the BEDIA staff, never mind investors (interview with a program manager, BEDIA). Nevertheless, since its inception about eight years ago, the BEDIA has attracted 20 companies, with a total employment of 4400 in various sectors of the economy (Budget Speech, 2005: 11).

The International Financial Service Centre (IFSC) is another agency with a significant role in the new wave, and, as its name implies, it has as its mandate the establishment of an international financial service centre in Botswana. Although dismissed by some quarters of the local media as wishful thinking by a landlocked, semi-arid and infrastructurally-challenged country living next door to a more internationally recognized economic and financial giant (Economic Development Magazine, October 2005), nevertheless, it reflects the desire of the government to provide the institutional support mechanisms for positioning various sectors of the Botswanan economy in proactive (rather than defensive inward-looking) engagement with the international economy.

The BDC, an older agency, and still considered the "hub of industry in Botswana," has undergone a review and redefinition, with a strategic redirection away from playing a reactive role toward being a catalyst of economic diversification. The BDC has taken more seriously the need to coordinate its actions with organized interests in the market in assessing needs and identifying opportunities. The BOCCIM recognizes and welcomes the BDC's new approach, albeit with cautious optimism. As of the early 2000s, the BDC has over a hundred enterprises in industry, trading, tourism, agriculture and real estate (Budget Speech, 2005).

Although there appears to be some progress toward a change of strategy in recent years, the BDC is still constrained by its founding mandate under the Company's Act (interview with BDC official). Whereas the BDC has made some considerable improvement in engaging market actors in collaborative partnership, its operations are still exclusive, and its dealings with private partners less formalized (Privatization Master Plan, 2005: 15-16; Budget Speech, 2005). Moreover, the private sector still expresses some dismay at what it considers the BDC's operational culture of relative detachment, preoccupation with profit-making, and reactive disposition to opportunities, as contrasted with a proactive creation of opportunities (National Business Conference, 2004).

A further dimension of the new impetus to economic diversification is a greater emphasis on export-based industrialization (Republic of Botswana, 2002: 10-14). It partly reflects the adaptation of the state's intervention to the imperatives of changes in the domestic and global markets. Protectionist import substitution industrialization or discriminatory sentiments against foreign enterprises can hardly work in an economy connected with global market variables external to the state's policy jurisdiction. International capital insists on a certain regulatory and fiscal environment that leads toward greater liberalization of markets and harmonization of standards across national economies.

The new drive toward economic diversification under the leadership of BEDIA seeks to maintain a more inclusive market environment that recognizes the strategic significance of foreign investors as integral part of Botswana's economy. Also, the focus is now more on export development than import substitution. The change of subject of discourse from export promotion to export development is, moreover, a significant development, with implications for changes in processes. In an interview with a senior staff member at BEDIA, he maintained that "export promotion" has a rather detached connotation, whereby the government may simply be content to "encourage" enterprises. As he put it, "our [BEDIA's] focus is on export development rather than export promotion: we identify local companies to make them ready for export. This is a concept with which most Batswana are not familiar. We are moving from export promotion to export development" (interview with BEDIA official). In changing the discourse to one about "export development," there is an implicit recognition on the part of government of the need for a more relational concept of nurturing and for a strategic commitment over time to the enhancement of production and international marketing capacity among enterprises in Botswana.

A further element of the new thrust also focuses on a more comprehensive economic diversification that encompasses greater and more targeted institutional support for small and medium-sized enterprises (SMEs). For instance, the FAP scheme has been merged with the government's small, micro and medium-sized enterprise (SMME) assistance schemes. They are all now reformulated under the CEDA. Given that the loyalty of international investment cannot be taken for granted in an age of globalized and fluid capital flights, the Botswanan government is increasingly appreciating the strategic significance of SMMEs as more authentically connected to livelihood projects of the poor, and thus, as holding the potential for direct poverty reduction and employment creation. It also reflects a recognition on the part of the government that in a global market characterized by highly intensified competition for international capital, and with the country's physical constraints as a viable market for investment, private sector development policy in Botswana must take seriously the vital role played by SMMEs in sustainably embedding the market within society through small-scale indigenous businesses, especially in rural areas. This means taking more seriously the strategic input of organized interests of small-scale enterprises.

What is even more significant is that the Ministry of Commerce and Industry (MCI) (which has hitherto maintained a rather low and passive profile) is showing some uncharacteristic leadership in setting up a private sector-led task force to address comprehensively SMMEs and to steer the development of policy and institutional support mechanisms for this sector (Republic of Botswana, Government Paper No. 1, 1999). The MCI's guiding principles in this new engagement with private sector organizations are to ensure, among other things, that "SMME policy is implemented effectively and assessed against measurable objectives; [and to] provide an integrated approach to SMME development which ensures cohesion and linkages between various programmes" (Republic of Botswana, 1999).

The only problem with this well articulated strategic orientation to SMME policy implementation is that the MCI has not been able to demonstrate a willingness to make dramatic adjustments to its processes and organization to reflect the new direction in engaging the private sector. Of all the recommendations made by the private sector-led task force, only a few were accepted, and the majority were amended, deferred or simply rejected: and most of these have to do with reconfiguration of processes in policy implementation that will see a more embedded process in which the private sector can make greater inputs into economic policy implementation (Republic of Botswana: Govt. Paper No. 1, 1999: 17-49).

In spite of the above new institutional and policy thrust towards economic diversification, the limitations of administrative capacity continue to pose constraints. The economy of Botswana is still, by and large, mineral dependent, and the private sector remains fragile. Mass poverty and high unemployment are still high (National Business Conference, 2004), and the private sector's disenchantment with economic diversification continues to be abundant (a senior researcher, BIDPA).

Institutional Legitimacy in Policy Implementation

The other factor that significantly affects economic diversification policy implementation in Botswana is institutional legitimacy. As maintained earlier, institutional legitimacy in this study refers to the authority of the state to govern the market as reflected in societal actors, especially the private sector's acceptance of, or acquiescence, before the pervasive presence of the state and its administrative machinery in the organization and direction of market relations of production and exchange. Institutional legitimacy has, as discussed, some connection to administrative capacity inasmuch as the perception of the state's administrative competence conditions societal actors' willingness to have their economic affairs in the market closely governed by the state. It is, however, distinct from administrative capacity in the sense that understanding the issue of institutional legitimacy as a significant factor in the success or failure of private sector development in Botswana requires making a connection between administration and political culture.

Although the present study focuses on policy implementation from the mid-1970s to present day, understanding how the imperatives of institutional legitimacy shaped the nature of market governance requires a brief elucidation of Botswana's colonial legacy and its imprints on the institutional formation of the developmental state (Raphael et al., 1984). Furthermore, understanding institutional legitimacy requires a conceptual distinction between the two analytical dimensions of the strategic environment of policy implementation: first, and broadest, the state's engagement with citizens; and second, and more specific, its partnership with policy clients. Government-citizen engagement forms the broader strategic environment of politics within which the state's governing legitimacy is determined. Administration-clients partnership, on the other hand, forms the specific environment of network governance in policy implementation. In Botswana, the private sector (as clients of economic diversification policy) constitutes the immediate stakeholders, and their members include citizens and non-citizens. These two dimensions of institutional legitimacy in Botswana are examined below.

Institutional Legitimacy: Government-Citizens Engagement

A key factor that shaped the active involvement of the Botswanan government in economic management and diversification was what a Norwegian study calls the "advantage of backwardness at independence" (Norwegian Ministry of Foreign Affairs, Botswana Study -- Report No. 1, 1996: 5). It enabled the state to easily build the institutional legitimacy to define and implement socioeconomic policies and to govern with a paternalistic and pervasive authority that most African states have failed to muster, even with the use of force and other forms of coercion. According to a senior PEEPA official, "Botswana has an economy in which government plays a dominant role, and the role of the private sector is very limited. This has to do with the country's history since independence."

Once the government successfully positions itself as the embodiment of national welfare, it need not resort to coercive or, even, authoritarian means in maintaining a stable and compliant environment for development governance. Policy implementation is simply left to the government "which knows what is best for Botswana."[8] Even though of the four policy objectives of the BDP government -- namely, rapid economic growth, social justice, economic independence, and sustained development -- only one (rapid economic growth) has worked, and that because of one sector (diamond mining) with no structural link to the rest of the economy, the government nevertheless continues to successfully articulate these goals and define its own purpose as the legitimate governing authority (Mentz, 1983: 115-125).

Furthermore, under the domination of BDP leadership, consensus-type democratic institutions became institutionalized in a large portion of the country, except for urban areas, thereby reinforcing their legitimacy based on reaching consensus and compromise rather than contestation of state policies. These were further reinforced by a sociocultural compact based largely on paternalistic loyalties between chiefs and cattle farmers, on the one hand, and the citizenry on the other. The cattle owning class were able to command the loyalty of the rural majority based upon the shared interests of employers and employees in the all-pervasive beef industry in the rural economy. The chiefs, for their part, reinforce this materialist logic by further exploiting the ideational symbols that their traditional authority represents, thereby consolidating the "legitimacy" of the state over society. Such is the political and institutional domination of the BDP that some observers maintain that though the government has never wavered in its support of pluralism and diversity of autonomous political groupings, ideals, and interests, the system has not been truly competitive during most of the post-independence period. Holmes (1988: 179) confirms this study's characterization of Botswana as a "paternalistic democracy." Picard (1987: 142) also refers to the country as a "de facto one party state."

A further tool of institutional legitimacy is the geopolitical threats posed by the presence of an unpredictable and hostile neighbour, South Africa, which had already expressed an interest in possessing Botswana as part of its national territory. Therefore, "effective governance" in Botswana has been interpreted to mean the ability to preserve the sovereignty of the nation and direct its development trajectory while at the same time building cooperative regional trade and investment alliances with its neighbours, including South Africa (Molutsi, 2004). Ironically, the threats of poverty, internal insecurity and geopolitical tensions have worked in favour of consolidating the institutional legitimacy of the government, as the dictates of these needs are used by it to justify its centralizing tendencies. They legitimized the government's paternalistic engagement with its economic policy "partners," such as trade unions and, even, businesses.

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

[8] In my interview with a researcher at BIDPA, he notes that Batswana defer to political authority like 'a nephew to his benevolent uncle'.

transformation in Botswana from independence to the present day has been guided by the imperatives of legitimacy. This covers the three regimes or leaderships since independence, all within the Botswana Democratic Party (BDP): the first period from 1965 to 1980, known as the Khama period, after the first President of Botswana, Seretse Khama (Polhemus, 1983). The second period, named after Sir Ketumile Masire, spanned 1980 to 1998. The third and current period-- the Festus Mogae period-- began in 1997.

There is an overlap between these periods, because one affects another inasmuch as one period comprises the outcomes of earlier policy decisions, reflecting the fact that the regime itself has remained the same while the state has transformed itself as dictated by the imperatives of institutional legitimacy. The Khama, Masire and Mogae periods could be defined as the times of insecurity, consolidation and transformation, respectively. Each period is characterized by new forms of state-society relations, reflected in innovations of market governance policies and frameworks.

The sources of insecurity in the Khama period were poverty, internal opposition, and regional hostility. Once the state was able to address these sources of insecurity, a significant foundation was laid that conditioned the strategic environment of economic diversification policy implementation in particular and market governance in general. In addressing poverty, the priority then was the building of schools, health facilities, and water provisions as the basis of governing legitimacy. These provisions were to be the infrastructural foundation for economic development, the ultimate "social contract" of paternalism between the government and Batswana.

Insecurity was wrought by the internal opposition of the traditional chiefs, who were determined to maintain their jurisdictional integrity against the "encroachments" of the BDP's nation-building project. The executive leadership, consisting of mostly modernized, Western-educated intellectuals, resorted to cooptation of these chiefs by forming a sort of elite coalition, through which the chiefs were guaranteed their continued power and status within the new state. The political leadership, consisting of Western-educated intellectuals, also formed close ties to the cattle holding rural elite as part of the same design of governing legitimacy. A similar observation has been made through the lens of class analysis about the nature of the Botswanan state at independence as consisting of the coalition of Western educated, petty bourgeoisie and traditional elites that constitute the ruling class, and how, through this coalition, they were able to present a united front that ensured the legitimate dominance of the state over, and autonomy from, society (Morrison, 1995: 27, 35-46). The inclusion of chiefs in the elite coalition was a significant development in conditioning the strategic environment of public administration in Botswana: once the chiefs had been effectively co-opted into alliance with the BDP elites, the rural base of the BDP was reinforced (although it already partially existed because of the traditional royal heritage of the first BDP leader, Khama). Traditional institutions like the *kgotla* (a political forum for political discussion and decision-making) were subsumed and internalized into the national governing machinery.

In the Masire Period, the economy boomed with the discovery of diamond earlier, and government revenue swelled. Through its well-developed administrative apparatus centred in the bureaucracy and public agencies, the state utilized institutionalized patronage as the new basis of its governing legitimacy. In other words, the ability of government to engage in mass redistribution of national resources from its diamond revenues reinforced, and even became the primary basis, of institutionalized legitimacy. According to an interviewee at the BIDPA (a researcher), "the culture of handouts is embedded in Botswana's governance. There is a strong culture of patronage in Botswana: the government's attitude is, 'We know what they want, give it to them.' In other words, government knows what is best for the people."

Institutionalized patronage is reflected in the determination of the executive leadership to reach out to such large segments of the population as an attempt to influence the politics of elections (Holmes, 1995: 198). According to Holmes, "while the origins of an electorally driven fiscal year have never been studied systematically in Botswana, a number of studies have argued that an overt rural expenditure focus dates from at least the run up to the 1974 election with the initiation of the Accelerated Rural Development Programme." Hence, after four consecutively successful elections, a more confident and relaxed Botswanan state under the dominant control of the BDP emerged, with the requisite legitimacy to be able to focus on the primary task of private sector development, even if it means through the technocratic and exclusive mechanism of economic diversification policy implementation. Even when it expresses a governing model of "partnership with the private sector," the state is able to engage in a rather paternalistic collaboration with business and labour as strategic policy stakeholders. And why not, when the government has massive revenues within its possession, the legitimacy of the people, and a weak and dependent private sector?

With its massive revenue and large foreign exchange reserves, the state spear-headed private sector development initiatives by simply setting up loan and capital grant schemes. The consequences for the administration of the paternalistic basis of its model of market governance were that public agencies like the BDC reflected the government's paternalistic orientation, failing to involve their operations in meaningful partnership with organized interests within the market environment. Because the strategic environment of politics legitimized a pervasive state with effective dominance over society, economic diversification policy implementation by the administrative machinery meant largely technocratic management of the market (Lewis, Jr., 1993: 12).

The current period, which dates back from 1997, could be viewed as one where the growth of the economy dropped from 11 percent to 4 percent. Poverty persists in rural areas. Unemployment remains high, and increases with the higher number of graduates from schools and university. Economic diversification policies have mostly failed to deliver. Moreover, increasing globalization means greater international flow of political and social ideas about governance and development. Furthermore, globalization is increasingly complicating the domestic economy of Botswana as prospects for growth and development become ever more contingent upon, or connected to, international factor prices and markets. All these developments mean that the idea of the government being the sole repository and conduit of national development has come under severe strain. Several interests are beginning to clamour for greater societal participation in politics and the policy process (Carroll and Carroll, 2004). Civil societies are beginning to emerge from several quarters, seeking participation beyond mere "preplanning consultation."

In light of these developments, the state changed its model of governance to absorb the emerging discontent with the political status quo. Since the 1990s the government of Botswana has seemed more serious about network governance (interviewee, BEDIA official). The late 1990s witnessed a new drive toward economic diversification that involved the adoption by the state of an even more activist intervention strategy under its various industrialization policies and programs. (Tsie, 1995: 73-102). Civil societies found more accommodation with the government (Carroll and Carroll, 2004). In 1997, the government introduced an informal structure called the High Level Consultative Council (HLCC) (an executive officer, BOCCIM). It consists of senior government officers, the private sector, and limited labour and civil society representation. A system of tripartism, though still weak and largely consultative, was introduced as the basis of institutional legitimacy. Unfortunately, in spite of the HLCC being the highest institutional expression of the new initiative of the government toward engaging the citizenry, organized labour represented by the BFTU, has not warmed to its insinuations (Carroll and Carroll, 2004).

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

Institutional Legitimacy: Administration and Policy Stakeholders

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

In Botswana, the administrative machinery has been able to maintain a rather technocratic orientation to policy implementation in a paternalistic engagement with the private sector (Jones, Brunt & Sharma, 1996). As an interviewee at BIDPA put it, "they've [i.e. the technocrats have] been talking a lot lately about strengthening partnership and consultation in Botswana... but it's like having your uncle consult your opinion... So when you put that in perspective, this partnership only tends to reinforce bureaucratic centralism and elitism. It is in the culture of governance itself."

Even in this paternalistic engagement, the administrative machinery has mainly focused on the business component of the private sector, to the virtual exclusion or alienation of organized labour as legitimate stakeholders in private sector development. Until as recently as the late 1990s, moreover, when the state renewed its approach to economic management, the state's interaction with "businesses" in the Botswanan private sector was dominated by foreign capital in mining while at the same time the government developed detached discriminatory and protectionist policies in its entrepreneurial development schemes (Legwaila, 2002: 624-7). Furthermore, even though recent institutional innovations in the HLCC have formalized the "partnership framework" of state-market relations in Botswana, the public sector's technocratic approach to economic policy implementation means that the engagement by the administrative machinery of its "policy stakeholders" remains more or less merely consultative, and highly managed by the former (Carroll and Carroll, 2004: 15-16).

The government's paternalistic attitude towards organized labour as "stakeholders" in private sector development policy implementation can be revealed in a few examples of its attempt to "manage" the market environment. The Trade Union Act and the Trades Disputes Act of 1969 set out the conditions under which trade unions could be formed and trade disputes settled. It detailed stringent conditions under which a trade union could be recognized. A trade union could only register if it had a minimum of 30 members, and at least 25 percent of the members of such a union had to remain active for it not to be de-unionized automatically. Yet, in 1984 about 46% of all manufacturing firms had fewer than 30 employees and a further 29% had fewer than 50 employees. Maintaining an active membership of at least 25% had been extremely difficult, because workers are poorly educated, and do not yet appreciate the value of trade unions. The 1974 Amendment of the Trade Union Act of 1969 further stipulated that no supervisory personnel could become members of the same union as the worker they supervised. The 1982 Trade Unions and Employers' Organization Act in no way altered this method of dividing and ruling lower supervisory staff and the rest. Organized labour under the leadership of the Botswana Federation of Trade Unions (BFTU) was thus weak, demoralized, and suspicious of collaborative engagement with the government, even with the formation of the HLCC.

Ironically, business, as a more privileged policy implementation partner than labor, reinforces the legitimacy of the paternalistic administrative state's approach in which it seems content to be a dependent partner of government. Examples of organized business' privilege can be seen in the government's policy approach to investors. While any firm can become a member of the BOCCIM upon paying a specified fee, workers cannot belong to the same union across all sectors of the economy. BOCCIM and its members are free to contribute to any political party but the BFTU cannot.

The privileged position of capital compared with that of labour is further evident in the sphere of wage policy implementation. With the 1972 White Paper on Employment, Incomes, Prices, and Profits, the state created a tripartite machinery to oversee its implementation. This policy document introduced a Statutory Minimum Wage for all unskilled, semi-skilled, and skilled workers in all sectors except agriculture and domestic service. The institutional tripartite machinery overseeing the implementation consisted of the National Employment, Manpower and Incomes Councils (NEMIC), the Wages Policy Committee (WPC) and the Wages Councils for the five sectors covered by the minimum wage policy. In 1985, the latter was superseded by the Minimum Wages Advisory Board (MWAB). In reality, the NEMIC is the only genuinely tripartite body because its membership is drawn from government officials and from unions and employers' representatives. It advises government on all matters pertaining to employment creation, manpower planning and incomes policy. Both unions and employers are excluded from the WPC on the grounds that it deals with sensitive material pertaining to the assets of firms. The BFTU has been advocating for its inclusion into the WPC, but has been rejected by both the state and the BOCCIM. Labour feel excluded where their presence matters most.

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

Conclusion

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

Chapter 7
Administrative Capacity:
A Comparative Assessment of Singapore and Botswana

Introduction

The goal of this chapter is to compare the impact of administrative capacity on Singapore's and Botswana's experience with economic development. It looks at the administrative processes and institutional properties of economic policy implementation, integrating the case-specific discussions of the last two chapters, and addressing the underlying administrative, structural, institutional, and cultural factors that determine the outcome of the implementation of private sector development policies in Singapore and Botswana.

The questions that are investigated in this chapter are: First, what common elements constitute economic policy implementation in Botswana and Singapore? Second, to what extent have Singapore and Botswana been successful in blending macroeconomic management that has a liberal or "free" market logic with a largely interventionist strategy of private sector development policy implementation? Third, how do the governments of Singapore and Botswana conceptualize market governance in relation to organized business and labour? And finally, to what extent has market governance in these two countries reflected and adapted to the changing conditions of politics and market in such a way as to enhance the success of economic policy implementation?

Singapore and Botswana are interesting cases for comparison in light of the fact that these two countries have had common challenges in terms of natural resource constraints, the demographic limitation of small population size, and the geopolitical challenges of being situated next to unpredictable and sometimes hostile neighbours. The fact that the countries share similar constraints makes for an interesting comparison in understanding the institutional and administrative factors that enabled the Singapore government to successfully implement its interventionist policy of economic diversification while Botswana stagnated. In the same vein, we can appreciate and explain how and why Singapore, which has been able to redirect its society along a pragmatic capitalist trajectory and take advantage of existing international economic opportunities, is now stalling in this very process, finding it increasingly difficult to effectively implement its economic policies.

Similarities in Economic Management in Singapore and Botswana

Singapore and Botswana are both characterized by their interventionist economic management. Both countries could be referred to as a developmental state in the classic sense of the term as conceptualized by Chalmers Johnson (1982) and developed by Adrian Leftwich (1995). In Singapore and Botswana, the market is guided by a conception of long-term rationality of investment formulated by a "determined developmental elite" (Leftwich, 1995: 405). Economic development, defined in terms of growth, productivity, and competitiveness, constitutes the foremost and single-minded priority of state action.

Although, as will be examined below, there are differences between Singapore and Botswana in terms of their political, institutional and, organizational arrangements pertaining to both the state apparatus and private business as well as their mutual interaction, nevertheless, these two countries are classic developmental states in the sense that they have been involved in what constitutes an active enhancement of market capacity through targeted resource allocation to private sector actors and coordination of their conflicting short-term interest towards longer-term systemic gains. That is, both countries' approaches to economic development reflect a fundamental commitment to economic pragmatism in the formulation and implementation of economic policies. Singapore's and Botswana's model of economic management is "pragmatic"

For instance, in the case of Singapore, Lim (1994) emphasizes the centrality of the "visible and long arm" of the state in any complete analysis of economic development. Lee Kuan Yew, Singapore's former Prime Minister (and current Senior Minister) once described the country as "half capitalist and half socialist" (Sikorski, 2004: 75-6). And as one interviewee in Botswana puts it, "Botswana is a land of paradoxes: the state is interventionist, yet maintains an open market economy. They have combined interventionism with market competition and free trade" (interview with a professor, University of Botswana).

Furthermore, in Singapore and Botswana, the state "controls and/or regulates land, labor and capital resources and their allocation. It sets or influences many of the prices on which private investors base their decisions and business calculations" (Lim, 1994, Salkin, 2005). Pragmatic economic management in Singapore and Botswana, however, goes beyond mere macromanagement as it involves direct incentives, schemes and institutional support mechanisms aimed not just at creating a conducive investment environment, but also at directing the very nature, trajectory and pace of private sector development (Low, 2001; Hope, 2002).

Furthermore, economic management in Singapore and Botswana sets industrial development as the centre-piece of private sector development and economic growth. Therefore, a significant element of industrial policy in both countries is that the private sector is to serve as the engine of growth, and the government will provide the complementary or pioneering functions directly through public enterprises and, less directly, through supporting institutions that will engage market actors in financial, technological, informational and entrepreneurial capacity enhancement.

Another similarity between Botswana and Singapore is the formulation of national development plans that design the implementation process. It is also worth noting that planning in Singapore and Botswana is of the indicative, and not the command, type-- and it meshes well with market development (interview with middle-level official, Ministry of Trade and Industry, Singapore. Also, interview with senior official, Planning Division, MFDP, Botswana). To recall, in indicative planning, while the state lays out the design of economic development, it remains flexible in its response to changing conditions in the market. Moreover, even though the state strategically allocates resources to certain target sectors to reflect the course of market development, it remains responsive to the feedback and reaction of market actors, whose cooperation it seeks rather than commands.

The centrality of planning still characterizes both Botswana's and Singapore's models of development management, even though it is more formal in the former than in the latter. In the case of Botswana, as a senior official in the Ministry of Finance and Development Planning (MFDP) put it, "planning... is a multilevel process of policy formulation and implementation. It starts from the village levels, includes the local [and district] authorities, involves all ministries and agencies, various interests in society and the economy, and goes right up to the president's office...." (interview with economic planning official, MFDP). An official of the EDB in Singapore also maintains that "planning covers every aspect of economic life here... and still remains our approach to doing things" (interview with senior official at EDB).

A key function of the strength of planning in Singapore and Botswana is the realistic assessment on the part of public managers of its strengths and weaknesses. Those strengths are seen as including the facts that planning provides policy coherence and proper advance assessment, and that it gives a long-term view of resource allocation and a realistic picture of resource constraint.

In Singapore and Botswana, the private sector's view of planning is that it helps one know the resource inputs and clear programs four to five years ahead. In Botswana, however, the BOCCIM, the main organization representing business enterprises, expresses fears that "planning sometimes puts the policy environment in a straitjacket." Nevertheless, the general perception among members of the public and private sectors is that planning in Botswana keeps things on target based on agreements among key stakeholders in society "without any wiggling variations" (interview with Bank of Botswana official). Planning also helps keep things in balance without unsustainable spending or "stop-go development." Botswana has thus been able to have a generally balanced and integrated economic management and maintain an inclination towards "cautious progress."

In the case of Singapore, planning refers to the formulation of a set of development goals with specific attention to every sector of the economy and details on the specific strategy for their attainment, and the resources required for translating these goals into projects. As one of my Singaporean interviewees put it, "given Singapore's vulnerability in the region and the urgencies of national survival, there is no place for free-willing. Excellence is closely watched, and therefore, planning is taken very seriously. Now, Singapore does not have a planned system in the Eastern [former Soviet] sense of the word... just as it does not have a welfare state in the Western sense" (interview with a researcher at ISEAS).

In a nutshell, pragmatic planning in Singapore and Botswana refers to the mix of state economic planning and interventionism characterized by an absence of commitment to any particular ideological blueprint. Economic planning in Singapore and Botswana is a pragmatic process involving the creation, allocation and management of resources as necessitated by the expediencies of changing national development priorities and the imperatives of changing market conditions that affect economic development. This means that the state directly engages in activities within the economy consistent with market principles in ways that support, collaborate with, and complement the private sector. In Singapore and Botswana, pragmatic planning is also about the combination and integration of long-range vision with a realistic assessment of existing conditions, and a day-to-day commitment to expediently and practically solving the problems of the moment.

Another shared feature of economic management in Singapore and Botswana is the recognition of the need for institutional mechanisms to reflect and support the centrality of planning. In Botswana, in order to give structural expression to the need for policy coordination that planning necessitates, the administrative framework was built around the institutional centrality of the MFDP. In an interview with a senior Planning Officer there, he maintained that the ministry is responsible for the coordination of planning and resources. It serves as an adviser to the government, and allocates resources among government ministries. The MFDP also forecasts the growth rate of the economy, projects resource likelihood from various sources and, on this basis, makes allocations consistent with long-term planning.

The administrative structure of Singapore's private sector development process is also characterized by the centrality and leadership of the Ministry of Trade and Industry (MTI). The Singapore bureaucracy's centralized but well networked structure and powers were seen as a way of consolidating the state's ability to direct the path of development in partnership with actors within the market.

Another shared characteristic of economic management in Singapore and Botswana is the relationship between administrative technocrats and the executive leadership, who were well connected. Administrative technocrats in both countries are actively involved in the formulation of policies, and also, in formulating the details of their implementation. The development of the bureaucracies in Singapore and Botswana and their role in economic management reveal, then, certain conditions that predispose these organizations toward a rather pragmatic and technocratic orientation to policy formulation.

In both cases their bureaucracies make it possible for Singapore and Botswana to fit the description of "developmental states" in the sense that in practice, the civil service, and not the political leadership, has dominated policy making and implementation (Quah, 1996; Somolekae, 1995). The immense powers of the MFDP in Botswana and the MTI in Singapore, as the central nerve systems of their respective administrative machineries, are tacitly legitimized and reinforced by the executive leaderships in both countries (Isaksen, 1996: 17-30). The executive leaderships' rationales of pragmatism in market governance make them inclined to favour and support a strong, insulated and pervasive bureaucracy as a powerful state apparatus of instrumental-rational control over the economy in particular and society in general.

The nature of economic management in Singapore and Botswana, in other words, is one where, although each of these states has committed to a collaborative partnership with the private sector, the process itself is still largely state-driven. One fundamental difference, however, is that the state-market partnership in Singapore is more robust and dynamic than in Botswana, where the private sector is more dependent, and follows the lead of the government. As will be further investigated below, although the Botswanan institutional framework lends itself well to the formulation of highly rational and well-coordinated development plans and delivery of social services (Acemoglu, Johnson & Robinson, 2001), it has proven inadequate for dealing with the dynamic complexities of private sector development through economic diversification. Formulating good development plans is only part of the process of pragmatic economic management. Implementing those plans is yet another part-- and when the existing institutions prove incapable of successfully implementing significant components of national development plans over a period of 30 years, planning is not enough. This issue and its implications are addressed further in the next two sections.

Economic Diversification in Singapore and Botswana: An Evaluation

This section focuses on Singapore's and Botswana's experiences with policy implementation of apparently well-formulated private sector development plans. Pragmatic economic management in these two countries has as its components not only macroeconomic management or infrastructural development but, more important, economic diversification through private sector development. The expressed commitment of both governments to developing their private sectors as a centrepiece of national development has been a striking hallmark of development governance in Singapore and Botswana.

Although Singapore and Botswana share some characteristics of interventionist pragmatic economic management, the two economies have developed very differently, with very different outcomes. Whereas the Singapore economy has diversified into various sectors in manufacturing and services, and even developed into a sophisticated knowledge-based economy with an elevenfold increase in its GDP since 1959, the Botswanan economy is plagued by deep structural weaknesses, with diamonds and agriculture, the economy's two traditional mainstays, continuing to dominate. Even the actual share of agriculture has been steadily declining since the discovery of diamonds and mining has been rising over the same period, taking over much of the economy (Mogae, 1998: 21-23). The economy remains dependent on mining with a weak formal private sector (even though there is much entrepreneurial talent in the informal sector).

A major strength in the implementation of industrial policies or plans in Singapore is that it involves a more robust collaborative management between states and highly organized private actors in network governance of the market, as dictated by the exigencies of rapidly changing economic conditions. However, until the last fifteen years, state-market partnership in Singapore has largely excluded local entrepreneurs as the government focused on multinational corporations. In Botswana, the private sector is weak, less organized, and dependent on government. Through these robust partnerships with interests or actors in the private sector, the Singaporean state is able to steer the economy along its preferred path. Market actors, in turn, feel an immediate sense of "ownership" of, or inclusion in, the process of market governance. They thus develop enough trust in, and affinity with, the government to respond to the latter's policy initiatives and leadership.

It appears that the organizational structure of the public sector in Botswana lends itself well to a coordinated and coherent budget and planning institutional framework (Raphaeli et al, 1984), but is ill-equipped to address the implementation of private sector development policies. The country endures the triple evil of big government with high unemployment and persistent poverty (Nordas, 2000: 1). The central government of Botswana alone accounts for about 34 percent of formal sector employment (Nordas, 2000: 6), revealing a weak private sector in terms of employment creation.

A second significant difference in the private sector development policies of Singapore and Botswana is, in the former, the fragmentation of policies enacted over the past thirty years. Rather than maintaining an overarching, comprehensive and internally coherent economic diversification policy at various phases of their industrial development as in Singapore, instead the Botswanan government's various policies were often fragmented, and developed, essentially, as responses to the perceived needs of the moment. For instance, although Singapore's various industrial support schemes are not free of contradictions, nevertheless, they generally build on each other. Botswana's schemes, on the other hand, are often fraught with internal contradictions in the substantive provisions of the schemes. An example is in the contradictions between the country's Industrial Development Policy (IDP) and the Financial Assistance Plans (FAPs) of the late 1980s and 1990s. The policies are in conflict, based as they are on different orientations to industrial development.

A third limiting characteristic of the Botswanan government's economic diversification policy was the tendency to revision of policies rather than maintaining consistency in implementation over time, as Singapore has managed to do. Not that policy revision is necessarily wrong (and Singapore has had to review its SME21 policies): instead of focusing on the impediments created by structures and processes of implementation, however, the Botswana government simply resorts to reviewing a policy and coming up with something new, thereby worsening the fragmentation, inconsistency and low institutional and policy learning. Even the Industrial Development Act (IDA) that is supposed to form the "backbone" of industrial policies has been through several reviews, just like the industrial policies themselves. Another example of this inconsistency is the abandonment of the FAP for what they now call the Citizen Entrepreneurship and Development Assistance (CEDA), whose implementation meant sweeping away the "mistakes" of the previous policies and schemes for something "new". The unintended result is a perplexing state of confusion among market actors, especially investors and, even, public agents, who are left to try and make sense of it. The economic policy environment in Botswana is inconsistent and fragmented enough to necessitate "careful research" by a new or potential investor as to which policies are current and which have expired (interview with senior BOCCIM official).

A fourth marked difference in industrial policy in Singapore and Botswana is in the substantive policies themselves. There seems to be a strong desire in Singapore to court partnership with foreign investors, even to the neglect of local enterprises. Indeed, over the past fifteen years it has caused problems that have compelled the government to make adjustments to accommodate the interests of local entrepreneurs. In Botswana, it is just the opposite. There is a tendency towards protectionism and discriminatory sentiments against foreign investors, especially South Africans. Examples are the procurement policy of the Botswanan government, as well as the selection of FAP beneficiaries. To some degree, managers and the citizenry alike believe, notwithstanding the disproportionately large presence of foreign entrepreneurs (mostly from South Africa), in economic diversification that fails to build from the existing base of production and exchange processes. Recognizing that this belief is unrealistic would mean a less protectionist and more inclusive policy environment for all market actors, foreign and local. In both countries, this selective and discriminatory approach to partnership has had the effect of demoralizing a section of the private sector.

A fifth significant distinction between Singapore and Botswana is in the nature of their economic development plans. Although both countries maintain their commitment to indicative planning (as distinguished from command planning), Botswana's is more rigid in implementation processes, whereas Singapore's development plans have inherent flexibility in the implementation of their provisions. This in-built flexibility became a pervasive characteristic of development plans in Singapore, and an essential element of pragmatism in the process of economic policy implementation.

Whereas Botswana continues to maintain a highly formalized planning process with the publication and circulation of periodic "development plans," moreover, Singapore embarked on a form of planning that was rather more flexible and indicative than the one in Botswana. While the Singaporean government presents a set of goals and strategies that could guide its activities within the market as well as provide some stability, it also manages to have the administrative flexibility to respond to the preferences and needs of its implementing partners, except that the only needs taken seriously are those of MNCs while local enterprises in Singapore were largely ignored. Besides having its own state enterprises, the Singaporean government was keen on courting the investment and partnership of foreign businesses whose needs may not have been completely anticipated when formulating the country's development plans.

The strategic advantage of flexible planning in Singapore enabled the government to redefine its policies and institutional networks based on exigencies rather than on rigid principles without getting trapped in inconsistencies. For instance, its administrative institutions, especially economic development agencies, took on an amoeba-like quality that enabled them to metamorphose into various roles and public-private partnerships to address several market situations requiring institutional support from the state (interview with an EDB official). Part of the successful nature of the Singaporean government's pervasive presence in the market can be directly attributed to the ubiquitous or amorphous nature of its institutional support mechanisms. A significant implication of the above difference in planning between Singapore and Botswana is that it underlines the more transient and pragmatic nature of state-market partnership in Singapore's model of economic management than in that of Botswana.

A sixth difference in economic management between Botswana and Singapore is the Singaporean government's disposition to use committees consisting of representatives from several sectoral interests to provide special reports that often become the "Plans" to determine the next priorities and guide the next strategies of policy implementation. For instance, in formulating its SME21 Policy, a committee was set up consisting of representation from across the government, the private sector (including business and labour), think tanks and academia. Committee officials usually possess the technical skills and experience to make informed and insightful assessments of existing market and other socio-structural conditions, and to provide detailed forecasts as well as estimates. And the government takes very seriously the reports of the committees that it sets up. Botswana, instead, internalizes the process of policy formulation, mostly within the civil service, except for its broad and rather vague consultation with members of the public. This difference between Singapore and Botswana is important because, by relying on the reports of committees, the Singaporean government does not merely plan in abstract, but situates its strategy within a concrete assessment of the economy's needs, and of the major actors or interests that need to be included (or excluded) within the policy implementation framework.

A more deliberate assessment of the degree to which administrative capacity and institutional legitimacy affect the outcomes of private sector development in both countries is in order. The section below focuses on administrative capacity in Botswana and Singapore. Institutional legitimacy in both countries is also later examined.

Administrative Capacity: A Comparative Assessment

Evaluating administrative capacity in Singapore and Botswana would require an examination of two separate periods in each country's experience with private sector development. Whereas the earlier phases of Singapore's private sector development, until the early 1990s, clearly demonstrated institutional coherence and policy autonomy in the processes of economic policy implementation, the latter period, referred to as the "new economy," evidences some strains in the country's model of market governance. In Botswana, even though institutional coherence and policy autonomy have been problems since the earlier phase of its experience with private sector development, some efforts were made toward a restructuring of the public sector to accommodate the country's new initiative in private sector development. The need to look at two separate periods also applies to the issue of institutional legitimacy in Singapore and Botswana, as developments over the past decade are compromising the legitimacy of both countries' pervasive developmental states. This section will focus on administrative capacity in the earlier period, followed by an analysis of implementation challenges in recent years.

A key characteristic of market governance in Singapore has been the ability of the state to match its role in the economy with the capability to carry out such role (Low, 2004). This observation contains a significant truth about the fundamental distinction between success and failure of interventionist market governance in industrializing economies. As the Botswana experience has demonstrated, important though physical infrastructure and macroeconomic management are, they need to be complemented by the development of the suitable institutional infrastructure that lends itself well to coordinated processes of economic policy implementation. A capable state possesses the administrative capacity and institutional legitimacy to transform policies into programs and projects.

Singapore's government has shown (at least it did, until the 1990s) an awareness that the increasing complexity of the economy is accompanied by a growing need for government bodies to make the necessary institutional adjustments in order to be better at implementing their policies. Administrative capacity in Singapore (until the 1990s) has the two key significant dimensions of *policy autonomy* and *institutional coherence* of implementing agencies at the strategic interface of state and market.

Private sector development policy implementation and market governance in Singapore include the following institutional features: complementary institutions of state-market collaboration, such as the tripartite framework of economic management, consisting of government, employer and labour, permeating the various levels of government, as in (for instance) the National Wage Council (interview with an official at the JTC); centralization and empowerment of semi-autonomous agencies to focus the government's institutional support activities in the market, such as the EDB, whose operation within the market is well integrated with the framework of the civil service (Schein, 1996).

Moreover, as established above, economic development plans provide an institutionalized mechanism for periodic stated or articulated goals of industrial development across various phases of the economy, thereby giving direction and purpose to the public sector and their policy stakeholders in the market (interview with an EDB program officer). These mechanisms of economic policy implementation and market governance create an environment where the relevance of industrial development programs and projects are maintained through input or feedback loops established with economic policy stakeholders.

In the case of Botswana, my interviewees made several comments that contained potentially useful insights about the nature of private sector development. A senior planning officer at the MFDP acknowledged that, in light of the failures of economic diversification, policy implementation in Botswana needs to "improve on flexibility-- our current six-year plans [NDPs] are not too flexible. We have implementation constraints: sometimes we overshoot our resource injection without due attention. We also need to improve government's capacity in designing realistic projects in order to avoid repeated underestimates or overestimates" (an MFDP official). An official of the Botswana Ministry of Trade and Industry also agrees, making reference to the persistent "implementation gaps between goals and results in economic diversification." He further cited various problems, such as

> lack of proper supervision, no clear indicators of performance in the economic diversification schemes; unrealistic expectation of government among citizens-- government is expected to do things instantly; there seem to be lots of seminars and meetings where things are discussed-- supposedly to promote implementation-- but that is not the case: it is mostly a time-consuming talking shop.

A BOCCIM executive official also worried that the reasons for the gap between planning and result in economic diversification could be that "the consultation process can be very long and tedious, human resources at the main locus of implementation [within agencies] are low, over-consultation and the attendant slow pace of policy formulation and implementation, bureaucratic red tape, and a lack of a sense or ethos of urgency [in the operations of ministries and agencies]" (MFDP official). A Bank of Botswana policy adviser also observed that, whereas "business development schemes were devolved down to various levels of government, including local district level officials, they were done within government structures... Lots of difficulties implementing projects: limited managerial capacity within agencies, and frustrating bottlenecks [in processes of government]" (Bank of Botswana official). A program officer of the BEDIA gave the example of the company that was interested in investing in Botswana but that "felt that the reception here [in Botswana] was a bit confusing" in spite of the one-stop-centre created (interview with a program officer, BEDIA).

One of the BIDPA's research directors maintained that

> it is not planning as such [that is slowing down economic diversification policy implementation], but the types of policies and the way they are administered. For instance, FAP and other related programs are managed within a culture of government handouts-- and this is stifling self-reliance and innovation. The culture of handouts is rooted into Botswana's governance. There is also the need to move away from too much bureaucracy in Botswana-- too much control from the Ministry of Finance and Development Planning. Even-- or especially-- with the case with BDC,... too much control over this agency from MFDP (researcher, BIDPA).

Professor Sharma (interviewee at the University of Botswana) also expresses the view that it is not planning as such that is the problem but, rather, the implementation of plans or policies.

Another BIDPA official made the observation that

> Botswana's [governance] system can be described as a having a very good planning process and a very weak implementation machinery. The government is only lately coming to grips with public sector reform and civil service effectiveness. Moreover, we lack a mature private sector that can engage with government in synergistic relationships-- they tend to be highly parasitic on government-- and this partly explains the problems of FAP and, even, CEDA.

Reflecting further on the specific experience of the FAP, he described the process as still going through "growing pains." The interplay between the public and private in the management of economic diversification schemes is rather skewed: it cannot be described as a constructive network between partners.

Another aspect of comparison between Singapore and Botswana is in the relationship between ministries and agencies. Singapore's administrative capacity for successful economic policy implementation is exemplified by the coordinating leadership demonstrated by the MTI, and this leadership strategically positions the EDB (an agency directly related to the MTI) to be the central "nerve" of the state in the market. However, the industrial policy implementation process in Singapore has been criticized as being too complex (interview with an official of the Singapore International Chambers of Commerce). Nevertheless, the system is considered as well coordinated, involving the

MTI and its key implementing agency, the EDB, along with other ministries and their agencies in a well-integrated network (Wong and Yuen, 1999).

It is this integrated network that provides Singapore a sort of unity of command and centralized coordination of processes that characterize the country's system of economic policy implementation and market governance (Bellows, 2002). The government system in Singapore places great emphasis on the central direction of policy and the maintenance of strong interagency connections. It is through these coordinated links that economic plans are deconstructed into sectorally multifaceted but coherent and time-specific, strategic programs for implementation, involving various ministries and departments. Through the coordinated efforts of the strategic leadership of the MTI, institutional coherence is enhanced in such a way that the state is able to govern the market with a focused leadership and with a clear strategic direction in its engagement with economic policy partners in the private sector.

The integrating mechanism through which institutional coherence is consolidated in Singapore can be understood at two levels of operations in the public sector: at the highest level in the Prime Minister's Office (PMO), and at the strategic interface of the public and private sectors at the public agency level (Ariff and Thynne, 1988). The PMO coordinates the activities of the ministries in the civil service. The Prime Minister and Cabinet are responsible for controlling and coordinating this system, assisted by a small (about 300) group of elite civil servants known as the Administrative Service. Members of the Administrative Service are very senior ranking officials in the various ministries and agencies of the public sector, and they maintain very close relational and operational contacts.

Economic development is, moreover, given such a high priority in Singapore that the Ministry of Trade and Industry (along with the Ministry of Finance) is given an implicitly elevated status among other ministries in ways that allow it to set out policy priorities around which other ministries must rationalize their operations. While this may be true in other countries as well, Singapore provides an interesting lesson in how other ministries recognize this special status of the MTI. For instance, the SEP was drafted by the MTI, and it is expected that the operations of the whole civil service should reflect the priority of the SEP, and that none of their activities conflicts with the principles and purpose of the SEP. In fact, Singapore has been dubbed "Singapore Incorporated" (interview with JTC official) by the government itself to signal the predominance of economic development as the overarching goal and purpose of government. Thus, the MTI, under which the EDB operates is institutionally positioned with the resources and power to "rally" other ministries to the national policy priority of industrial development.

From the foregoing analysis of Singapore's experience, several inferences can be drawn about policy implementation in Botswana. The two key questions posed earlier can be revisited: first, could it be that the configuration and processes of Botswana's administrative machinery lend themselves well to macroeconomic management, but are ill-suited to the dynamic demands of strategic partnership with the private sector in achieving economic diversification? Second, could it be that the state is too involved in the economy in ways that crowd out or suffocate the private sector?

The empirical observation of this thesis indicates that the state's involvement in the economy is not an issue in Botswana. In fact, the interviewees all seemed to maintain that the problem is not with the government's interventionist strategy through planning, but rather with the way the strategies are implemented. Invariably, the interview responses pointed to the configuraton and processes of policy implementation. Their observations confirm the assertion that Botswana's administrative machinery is ill-suited to an effective strategic engagement of the state with market interests and actors for the purpose of private sector development. Botswana's administrative system suffers from some of the pathologies of a highly centralized and overly hierarchical bureaucracy that may work well for macroeconomic management but proves ill-equipped to deal with the dynamic complexities of economic diversification through partnership with private actors.

Botswana's public sector is a near-approximation of the Weberian ideal of bureaucracy, with its hierarchical organization, departmentalization, division of labour, specialization, division of responsibility, and the application of the merit principle, and with specific responsibilities assigned to every position in the public service in the form of job descriptions, and with responsibilities defined by the Constitution (Stedman, 1995: 114-7). The strength of this system is that it is well rooted in the normative foundation of public administration in democratic polities, which rests on regime values, constitutional theories and citizenship theories, among other things (Cooper, 2004: 396). Boundaries serve many purposes. They establish in clear terms who has legitimate access to certain decision-making arenas, and who is responsible for what.

These established boundaries of bureaucratic organization have, however, become so rigid and overcentralized that they negatively affect the country's ability to engage the private sector in achieving economic diversification. As the interview responses noted above suggest, in Botswana there is too rigid a hierarchical relationship between certain ministries and their field agencies, so that that constrain the autonomy and managerial flexibility of the latter (Granberg & Parkinson, 1988). Paradoxically such hierarchical rigidity has tended towards a lack of unified or unifying organizational vision or culture, creating a situation where one finds divisions in orientation and perspective not only between ministries and public agencies, but also between public agencies that are supposed to have interrelated and synergistic mandates.

Public agencies in Botswana are, further, inadequately infused into their environment of operation as a result of the preoccupation of certain central ministries, especially the Ministry of Finance and Development Planning (MFDP), with seeking to achieve responsibility and responsiveness from public agencies like the BDC. Senior level bureaucrats are often preoccupied with establishing and maintaining mechanisms to ensure that subordinates in field agencies comply with head office rules and procedures. This is not necessarily a bad thing, and is, arguably, necessary in a democratic system (interview with a MTI official). Yet preoccupation with this goal often conflicts with field agents' need for some freedom to respond to local situations within a given sector of the economy. The MFDP's operational ethos has been characterized as one of command and control of processes in ways that reveal ignorance of market actors' needs, whereas field officers at the BEDIA and the BDC tend to be more attuned to those needs, yet subjected to all the stifling controls from above (interview with researcher, BIDPA). In other words, there exists a great divide- a fractured reality- that separates the "worlds" of ministries and field agencies, both vertically, between ministries and agencies, and horizontally among agencies.

Thus, the institutional environment that surrounds the BDC, the BEDIA and other related agencies in Botswana impose some constraints on the implementation of their developmental objectives. For instance, because of its close connection to the MFDP, "the overarching conservative policy environment of this ministry has imposed its operational culture on the BDC" (interview with BIDPA researcher). Ironically, in the case of Singapore, it was this close connection between the EDB and the MTI that enhanced the strategic advantage of the EDB in engaging other public agencies, as well as organized private sector interests in network partnerships. Although its link with the MFDP reflects the BDC's mandate as a financial agency, however, it is not clear why some measure of interlinkage was not created between the BDC (which is supposed to be the "hub of industry") and the Ministry of Trade and Industry, whose primary mandate is industrial development, as is the case in Singapore. In fact, during its first five years (1970-75), the BDC concentrated its portfolio investment on the property development sector, and neglected industrial development (Tsie, 1995: 127). In the first fifteen years of its operation, only 21 percent of the BDC's operation went directly to the productive sectors in industry and commerce.

Another dimension of Botswana's bureaucratic organization is the uneasy tension between the equally compelling goals of differentiation and integration. Differentiation refers to the need for a division of labour so that each organizational unit has a set of specified duties and responsibilities, whereas integration is concerned with the coordination of activities of these separate units. While the MFDP and the MTI have different responsibilities, and definitely need clear distinctions in their operational mandates, much fragmentation in policy implementation could be overcome by a closer coordination between these two ministries (interview with BEDIA mid-level official). Failing to integrate their operational strategies has tended to create conflict between the priorities of the MFDP (which is more preoccupied with financial conservatism) and the MTI (which has an operational predisposition towards industrial development resource allocation) (interview with the BIDPA researcher). Given the hierarchical superiority of the MFDP, the general policy stance leans toward fiscal conservatism. Different signals from different ministries and senior bureaucrats can leave field agencies like the BEDIA and the BDC confused and torn between conflicting policy priorities.

Therefore, the MTI's low profile relative to the MFDP has further helped to undermine the strategic orientation of economic diversification. This is even further exacerbated by the MTI's own operational passivity in the design (or lack thereof) of policies for private sector development (Mayo, 2003: 223), a sharp contrast to the proactive policy stance of the MTI in Singapore. For instance, as discussed earlier, although some of the industrial policies developed over the last 30 years remain, the MCI has not been able to develop a comprehensive industrial development strategy that recognizes the need for an "organic" relationship of industry with agriculture. The lack of value-added production processes that could link the two traditional industries (beef and mining) with other manufacturing sectors has not been given much thought in terms of a strategic policy that could coordinate the activities of public agencies in this vision (interview with senior BOCCIM official). The administrative structure of Botswana under the centralized leadership of the MFDP is thus conducive to development planning but has proven inadequate for the complexities of network partnership in economic diversification policy implementation.

Botswana also needs perspective planning within agencies (apart from the need for national planning) for the purpose of economic diversification. Too much concentration of economic management within the MFDP has tended to orient economic development policy implementation towards macromanagement rather than strategic management. The MFDP's centrality even in the area of economic diversification has cast a shadow of managerial and financial conservatism in policy projection and implementation. It is necessary to strengthen the MCI to reflect a policy environment that looks beyond planning and is moving in a more strategic direction of economic diversification policy implementation. Furthermore, given its strategic significance in industrial promotion, the BDC must maintain some operational links with public agencies with similar objectives of promoting economic diversification, just as the EDB in Singapore has managed to do with other economic development agencies.

The real significance of Singapore's administrative capacity as reflected in the coherence of ministries and agencies is the operational capacity that this provides for agencies like the EDB (directly answerable to the MTI) in building the requisite institutional coherence at the strategic interface of state and market partnership. Moreover, the institutional coherence of the EDB is enhanced through the organization's privileged position as the hub of the Singaporean government's activities in the market. For instance, it possesses the resources and power to channel the concerns and needs of investors through various ministries and departments. It can expedite the registration of new businesses by undertaking to directly internalize the process within its own organization, rather than forcing individual investors to visit several departments and ministries for the various procedures and requirements of business registration. The "one-stop-service" provided by the EDB is, therefore, widely regarded as a credible mechanism that has won the trust and confidence of foreign businesses in Singapore (interview a senior manager, GSK Pharmaceuticals, Singapore).

The centrality of the EDB and its partner agencies (especially the JTC) in the process of economic policy implementation underscores the fact that an efficient management of the economic environment through bureaucratic organizations within the civil service is not enough. The EDB, moreover, is not only central to Singapore's economic diversification: it also has the resources to consolidate its capacity for maintaining close interlinkage with other agencies and ministries in the public sector. The institutional and resource capacity of the EDB and its partner agencies to implement the various policies and plans of industrialization therefore provides the essential ingredient of strategic interventionism in Singapore.

By its very mandate, the EDB has a more proactive operational ethos, in sharp contrast to the passivity that plagues the BDC in Botswana. From its early years, the EDB took the initiative to steer the economy of Singapore. It serves as the strategic interface between the government, primarily the MTI, and the market. According to the EDB interviewee,

> EDB is a statutory board and is part of the MTI. EDB and JTC are directly under the Ministry of Trade and Industry. We report to the MTI but have more leeway--so we are a bit faster than ministries. EDB goes to the international arena and brings investors. They also have industrialization and marketing plans. JTC provides the infrastructure. They also provide overseas and marketing promotion (interview with EDB official).

Moreover, as a JTC official maintained,

> the EDB coordinates with the Urban Renewal Authority (URA). The URA is sort of like a planning department. The URA is also like a Clearing House for all development projects in Singapore. URA works under the Ministry of National Development, and it coordinates all the urban development projects in Singapore. This means also working closely with the JTC in its industrial site planning. EDB brings the businesses, partners with some of them, and the JTC does all the business facility development, checking with URA to make sure the way is clear. So we are able to work as Singapore Incorporated (interview with a JTC official).

Although it is directly responsible to the MTI, the EDB enjoys immense operational autonomy in its day-to-day operations, thereby gaining the flexibility of engaging the market in close collaborative management of specific policies or industrial targets and schemes. It should be noted that such sweeping autonomy poses the danger of corruption or state capture by powerful private sector interests. Nevertheless, equipped with its wide policy autonomy, decisions can be made and reviewed very rapidly within the EDB without reference to the MTI. Moreover, its autonomy allows the EDB to develop consultative mechanisms with private actors, and these mechanisms are deemed credible and trusted by private market actors.

Through the leadership of the EDB, the state is able to create significant and enduring links between business and labour. For instance, agencies coordinate the various phases of economic development, skill training and technology transfer. The EDB and its partner agencies, moreover, translate the government's economic plans so that they look less like directives and more like incentive mechanisms to which the private sector is then encouraged to respond.

Economic development agencies are able to engage in close collaborative partnership with market actors in the implementation of economic policies. According to one of my interview sources,

> the EDB works very closely with businesses, and also in close contact with organized labour. This partnership can be more readily seen at the implementation level, because the formulation of policy is something that you will hardly really understand or know in this country. So we look especially at the implementation side, and there you see the EDB's close coordination with business and labour. In a sense, there is a recognizable policy process. It is like expanding the boundaries of the public sector into the private sector. For any

> given program or, say, industrial target, they talk a lot with business and labor about how they can get things rolling. I cannot say how sincere is the EDB in including the private sector, but the important thing is the private sector believes they are part and parcel of the policy implementation process. I suppose that is what matters for the partnership to work (a professor, East Asian Institute, National University of Singapore).

Another interviewee commented on policy implementation in the following terms:

> Their [i.e., economic development agencies] day-to-day processes are strictly guided by a strong outcome orientation. They set out end goals, look for the needed businesses, resources and people, and then clear the way for the market by running around various departments to coordinate all arms of government around that project. These agency people run the government like one massive corporation (Professor, LKY School of Public Policy).

The integrated nature of the administrative machinery has meant that the EDB has enjoyed the trust and confidence of various ministries. Singapore has even been referred to as a corporate machinery in which the fundamental purpose of government was the industrialization of the economy and improvement of the material welfare of Singaporeans. The trust and confidence of other agencies has enhanced the EDB's capacity as the locus of state resources. A powerful, unified and simplified mechanism is the result, one through which market actors can interact with the state, using the EDB as a sort of entry point into collaborative partnership with the state in the implementation of policies aimed at enhancing the capacity of the private sector and maximizing the competitiveness of businesses. In the described system, the institutional coherence of administrative machinery responsible to economic policy implementation is effectively maintained. The institutional links are well established: not only between and within the departments and ministries, but also among economic development agencies, as well as between agencies and the core civil service.

Botswana, on the other hand, has not enjoyed the same interagency coherence among supporting institutions of trade financing and trade information in the promotion of exports, even (or especially) under the recent policy initiative towards economic diversification. The plethora of public agencies (like the BDC, the BEDIA, the IFSC, the CEDA, and the LEA) in the market, has created a tendency towards duplication, fragmentation, confusion -- and, even, rivalry and conflict if coherence and coordination of operational processes is not made a priority in policy implementation.

Institutional configuration for greater coherence and clarity in Botswana is also an issue. What is the BDC's relationship with other public agencies like the BEDIA? In an interview with a senior BDC official about the operational link between his agency and the BEDIA, his comment was that his organization "is in touch with the Director of BEDIA" (interview with BDC official). Further probing of the meaning of his statement revealed nothing more than a rather casual understanding between the two directors that their agencies have complementary functions. Beyond this acknowledgement, their agencies have hardly any institutionalized links at the operational level within the market.

The need for a more coherent set of programs to give effect to the policy of market capacity enhancement has been expressed repeatedly over the past six years by Botswana's market actors (National Business Conferences, 2000, 2002, 2004). For example, there was hardly a coherent policy framework to rationalize and coordinate significant elements of business development such as wage cost, skill training, capital supervision, and supporting institutions for export development and promotion. In essence, private sector development seems to lack a coherent design. It lacks a long-term strategic orientation that could guide short-term policies.

Another example is the government's wages and salaries policy management. While it seeks to engage the market within a corporatist framework in the High Level Consultative Council (HLCC) that brings together labour and business, the Wages Policy Council continues to exclude labour from active participation in its proceedings (Mpabanga, 1997: 377-8); again, quite different from Singapore where the National Wage Council provides a tripartite network framework in which labor is involved (although in a limited way) in determining the trajectory of industrial policies.

A further example points to some confusion on the part of the Botswana government as to which way to go-- big or small business promotion (especially when those approaches are artificially juxtaposed, given the conflicting interest within an environment of highly heterogeneous local-foreign entrepreneurs. The local private sector, for instance, still strongly advocates for discriminatory policies (such as Local Procurement Schemes) that could give them an advantage over foreign firms (interview with BIDPA researcher) while, at the same time, other firms are calling for more export-oriented policies. Generally, however, there seems to be a preference for discriminatory and protectionist schemes, rather than a strategic partnership that is embedded in market principles of competition and openness. Singapore also has not been free from this discriminatory tendency, except that it is directed against its own local entrepreneurs as the government has managed to distinguish between the interests of MNCs and those of local enterprises (giving preferences to MNCs).

Although part of the strength of public management in Botswana is their very efficient use of expatriates, which has enhanced the effectiveness of their management of the macroeconomy, this seems to be truer at the ministerial than at the agency level. The irrelevance of the education system to the managerial, entrepreneurial and technical needs of the country hinders the public and private sectors alike (Granberg & Parkinson, 1988: 99-107). For instance, the much lamented failure of the Selebi-Phikwe Regional Development Project was not only a strategic blunder that lacked market logic because the staff in the various organizations involved could not coordinate their activities effectively; even more significant, it was characterized by poor supervision. The supervisory staff understood their task as simply one of doling out funds, without any proper pre-appraisal of business plans or follow-up mechanisms. It is a reflection of the lack of joint operations between the public and private sectors that could enable project supervisors to be more acquainted with sectors and enterprises that hold greater promises of success.

On a final note, the Botswana government's intervention is still characterizable as rather passive, inasmuch as the central agency (BDC) vested with the responsibility of nurturing and strategically partnering with the private sector is operationally passive, in marked contrast to the initiatives undertaken by Singapore's EDB. The BDC, as a private sector development agency is considered by the private sector as too passive and risk-averse. The EDB in Singapore is committed to nurturing young enterprises across a range of sectors that could complement each other. The BDC, on the other hand, is evaluated as having "adhered to the profitability criterion much more than to the 'socially beneficial' criterion or strategic considerations...." (Tsie, 1995: 123; Hope, 2002: 47). Part of the problem has been the very mandate of the BDC, which, although designed to be a mechanism of state intervention in industrial development, seems to emphasize concerns with profitability, thereby accentuating its commercial disposition and undermining its developmental orientation.

According to a BDC official, "because the agency is created under the Company's Act and not by Parliament, the BDC's strategy of market development is through participation in commercial operation, by which it hopes to help diversify the economy, create employment and build business skills" (interview with BDC official). It is even suggested that the BDC's initial years neglected industrialization (interview with senior BIDPA researcher) and, worse, sometimes proved counterproductive to industrial development, given that some of the BDC's investment activities increased competition with existing firms. While this is not necessarily bad, the problem is that, rather than enter neglected areas of the market as a pioneer, the BDC seems to compete with private enterprises in already crowded sectors of the market. At the 2002 National Business Conference, a rather blunt rebuke was made of the BDC's potentially undermining, rather than facilitative, relationship with the private sector (National Business Conference 2002: 71-4).

Nor has the country's search for solutions to the problems of economic diversification proven successful. The atmosphere of pessimism has caused macro-level reform initiatives like decentralization and privatization to become much circulated concepts among reform advocates. Many of the recommendations for decentralization seem to focus on devolving government operations to lower levels. Although governance in Botswana is already decentralized across various levels, at least in policy formulation, what is less appreciated in Botswana is the need for forms of decentralization that address the need for deconcentrating the state "outwards" to include non-state actors in policy implementation. In the context of economic diversification, although the state has reached outward to market actors (through the HLCC) in policy formulation, it still internalizes the process of policy implementation within its own ministries and agencies.

Another element of Singapore's greater administrative capacity over that of Botswana is in the policy autonomy of public agencies at the strategic interface of state-market partnership. Strategic pragmatism in economic policy management dictates that the executive leadership provide operational space for agencies to maximize capacity for maneuvering collaborative networks involving actors outside the state. Therefore, although economic development agencies in Singapore are extensions of the civil service, supervised by the ministries and answerable to parliament, nevertheless they have been endowed with considerable autonomy in the day-to-day management of their operations (Soon & Tan, 1993).

In Botswana, economic development agencies have not been able to maintain their balanced character of being public entities with clear lines of accountability while operating autonomously in the market. Lacking such operational autonomy, they have been unable to build close partnerships with private actors in ways that could provide needed flexibility in entering joint ventures with private enterprises when the need arises. This contrasts with the Singapore experience where, for instance, because of its operational distance from the main civil service, the EDB in particular has been able to simplify the process of business development support programs and, thus, reduce the complexity of the public sector, which tends to overwhelm, especially foreign businesses seeking to establish in new countries. The EDB provides a "face" and "personality" for the government that looks very familiar to market actors -- and the latter therefore cultivate the affinity and confidence, and have a greater inclination to participate in collaborative networks, even with the government's pervasive presence and leadership. In fact, it is more accurate to describe economic intervention in Singapore as a pervasive presence of government "in" the market, whereas Botswana's could be said to be a pervasive presence "over" the market. The difference is in the more integrated and collaborative nature of state-market partnership in Singapore than in Botswana.

Policy autonomy in Singapore is further consolidated by the rather technocratic orientation to policy formulation and implementation. The irony of autonomy in Singapore is that agencies are able to enjoy a wide operational space precisely because personnel and relational networks are fused with the civil service. For instance, high-ranking public officials (including those from the elite Administrative Service) double as governors of economic development agencies and, even, of GLCs, providing (often informal) communication channels between management and the supervising ministries (Huff, 1994: 341; Soon & Tan, 1993: xii). Middle level civil servants also have operational networks that are fused with agencies and GLCs, serving as agency and public enterprise board members, as well as occupying positions within departments of the civil service (Hiok, 1989: 93-99). However, the danger of potential corruption that such system poses has been well noted (Hamilton-Hart, 2001).

Nevertheless, the underlying operational logic of the above system is that as a small body of officials with close relational fusion "criss-cross" the leadership of statutory boards, functions and processes are aligned to maximize the technocratic and managerial orientation to economic policy implementation. These public officials have been able to incorporate a business and strategic ethos into their operations across these two dimensions (i.e., civil service and public agencies levels) of policy implementation. The result of this immense exposure of civil servants to the culture of the economic development agencies and the market is that there is less of a tendency within the civil service to impose constraints on public agencies.

In conclusion, in light of all the factors discussed, Botswana's successful management of the macroeconomy, on the one hand, and the persistent stagnation of private sector development, on the other, need not constitute a perplexing paradox. The evidence seems to emphasize the need for Botswana to go beyond macroeconomic management and planning (which are important) and, also, focus on restructuring the public sector and reorienting implementation processes to foster a more coherent and comprehensive collaborative network within the agencies and ministries of the public sector, as well as a more robust partnership with the private sector.

Singapore's economic policy implementation strategy, on the other hand, is characterized by the strategic partnership between public agencies, led by the EDB, and endowed with the institutional coherence through their multiple links (both between these agencies and among the agencies and the relevant ministries in the civil service). This integration gives the advantage of a well-linked and coherent machinery, rather than the institutional fragmentation one notices in Botswana. Moreover, the operational autonomy of these agencies enables them to maintain a close embeddedness within the market through consolidated networks with private economic actors. Administrative capacity has been integral to Singapore's rapid industrialization and growth. Government interventions, while extensive, have been purposeful without being inflexible. By constant reference to comprehensive and well defined principles and processes of when and how government should steer the direction of industrial development, policy consistency and coherence were ensured.

Emerging Issues of Administrative Capacity

The purpose of this section is to understand the institutional and administrative implications involved in the strategic initiative toward a new economy in Singapore and Botswana. The new economy in Singapore means becoming a knowledge-based economy, whereas in Botswana the aim is to overcome the failures of past years in diversifying the economy away from diamonds and agriculture. Given the nature of the economic restructuring required in both countries within the context of globalization, the task here is to identify what implications this could have for how state-market relations are changing. The question one needs to ask is: what effects will these changes towards a new economy have on the nature of policy implementation, especially in terms of how agencies collaborate in network partnership with the private sector?

A key characteristic of the new policy environment in the new economy in Singapore and Botswana is that there is increasing need for more consultation on economic policy directions with the growing number of actors that constitute the private sector. As local private actors factor more prominently into economic management, state-society dynamics and the administrative culture of agencies and the civil service must deal with new sets of players and expectations. The state's administrative capacity to govern the market must enter new dimensions. While the technical competence of the administrative machinery may continue to undergo constant upgrading to meet the exigencies of economic restructuring, coherence and continuity, as understood in Singapore and Botswana, could be witnessing increasing strains.

For example, as part of the institutional shift, Singapore's chambers of commerce and industry, trade and industry associations and, even, local banks have been incorporated into the policy arena of collaborative network partnership in governing the market. A highpoint of this rather inclusive network governance of the economy was evidenced in the SME Master Plans in Singapore and Botswana. The new focus on nurturing small and medium-scale enterprises in both countries is necessitating closer and more active participation of new local actors in the very centre of the policy arena.

A further complication of the new economic environment in both countries is that the private sectors in Singapore and Botswana have more choices in their market operations as the opportunities for flexibility and alternative actions outside the influence of the state expand. For instance, in Singapore, MNCs and local enterprises are increasingly offered a greater geographical sphere of opportunity in a rapidly regionalized economy within East and South Asia. Equally so for Botswana; increasing regional economic integration in Southern Africa means easier mobility of businesses (mostly South African MNCs based in Botswana) across borders to other countries in the region. Therefore, as Singapore and Botswana strive to position themselves as viable players of industrialization in their respective regions, they will require expanded mechanisms to maintain their influence on domestic market partners.

Third, in Singapore and Botswana, more information is becoming available to the government's market partners as the new rules of engagement in a regional economy demand greater transparency on the part of member states within the region in the operations of their industrial and financial sectors across borders. This is an uncomfortable development for the governments of Singapore and Botswana which have shown a preference for obscurity in their management of information about public resources and their allocation across various sectors of the market. Businesses are predicted to gain increasing access to information that will make them informed partners with informed alternatives to the government's vision of, and strategy, for economic policy implementation.

Another significant concern in terms of administrative capacity for economic policy implementation is that the institutional framework for economic management is undergoing a radical reconfiguration, including a fast redirection away from the signature strategy of one-stop service for business development -- through the EDB in Singapore and the BDC in Botswana -- to multiple stops through a host of agencies not only under the ministries responsible for industrial development but, also, other ministries concerned with a whole range of market support services. The imperatives of putting more emphasis on local enterprise development and horizontal linkages are necessitating a switch from a single agency to a multiagency approach to economic policy implementation and business development service delivery by the state.

The implication here is that the EDB in Singapore and the BDC in Botswana must develop greater multi-agency and transectoral institutional networks. They need to make institutional adaptations to the fact that investment promotion activities are no longer to be conducted under one roof. Consequently, their philosophy and working style with respect to investment promotion must be reconfigured to factor in the mandate and jurisdiction of other agencies and officers before a synergy of efforts can be generated to serve the market actors. The imperative of the new economy is that the development, marketing and promotion of industrial development in Singapore and Botswana are now responsibilities beyond the EDB or the BDC -- a reality that processes of economic policy implementation need to reflect.

Moreover, agencies like the EDB in Singapore and the BDC in Botswana are not just economic agencies any more. The political dimensions of their operations are becoming more important. In other words, the EDB and BDC, along with other agencies with similar mandates, must cultivate some political, cultural and corporate skills and qualities in dealing with regional partners within, respectively, the wider Asia pacific or Southern African belt. It may also require that the EDB and the BDC collaborate more with their Ministries of Foreign Affairs, and/or instil greater political awareness among their overseas-based officers.

Another implication of this multiagency approach is the gradual erosion of the protection from societal penetration that state agencies once enjoyed. Within their multiple and, often, duplicating functions, and under the pressures of jurisdictional turf competition among agencies, the tendency towards increased porosity to the parochial demands of certain private sector interests cannot be overstated. It becomes more likely that these multiple agencies will lose sight of their overarching strategic goals and become wholly focused on their specific mandates, leading to an increase in the chances of being captured or penetrated by more powerful clienteles.

In conclusion, the "new economy" in Singapore and Botswana is having dire consequences for collaborative state-market partnership in governing their respective markets. As economic diversification continues to be a growing concern in Singapore and Botswana, as competitive forces awaken in the region, and as the international economic order proves less congenial and harmonious, market governance will prove to be more challenging than before. In both countries, collaborative state-market partnership will have to shift from the exclusive partnership and policy monopoly that characterized industrial development in the earlier years, in order to respond to their new domestic configurations, as well as regional and international ones. Local enterprises are becoming significant and permanent fixtures of the Singapore and Botswana economies: and these local market actors are in turn changing and becoming more confident as strategic players. In the case of Singapore, moreover, the configuration of labour is changing, with increased specialization and emphasis on skill and productivity, whereas in Botswana, labour is increasingly questioning their marginalized role within the public-private partnership framework. Factions and jurisdictional turfs are emerging within the public sectors of Singapore and Botswana as their increasingly complex and internationalized economies create specialized organizational enclaves, thereby worsening the tendency towards fragmentation of visions and strategies about the direction of the new economy. Having all these changes only serves to worsen the predicament and challenges of market governance in these two countries, where their pervasive governments have relied on tight control over market forces and actors.

Chapter 8
Institutional Legitimacy: Singapore and Botswana in Comparison

This chapter evaluates the nature of institutional legitimacy as a function of economic policy implementation in Singapore and Botswana. To recall, in chapter three the theoretical discussion maintained that in implementing private sector development policies, the state needs to possess a reasonable degree of institutional legitimacy or authority to govern the wide range of interests and ideas that exist within the market. John Montgomery's (1991: 511) notion of the "strategic environment" of public managers provided an insight useful for this study's conceptualization of the fundamental elements that affect how the state maintains the legitimacy of its public managers or agents to govern the market and its interests: The strategic environment, according to Montgomery, consists of the links that public managers establish with the general public or special publics and informal groups that are affected by the program being administered.

Singapore and Botswana have each been variously described by their critics as an "extremely intrusive" authoritarian state (Roy, 1994; Good, 1996), or as an "effectively oligarchic" system (Mutalib, 2000) where democratic politics is a "political perversion," devoid of a competent opposition (Jones, 1997). Admirers of these two countries, on the other hand, insist that they are not one-party authoritarian states but that each is a "parliamentary democracy" characterized by both representative and participatory democracy (Chan, 1986, Holmes, 1992).

Botswana has been described as an administrative democracy; a combination of an administrative state and an effective democracy in which the state takes seriously its responsibility to engage the citizenry as a significant dimension of market governance (Molutsi, 1998: 59-177). In the case of Singapore, other, more ambivalent scholars have come up with phrases such as "non-liberal communitarian democracy" or, even, "Confucian-inspired democracy" to explain its experience (Neher, 1994). The resulting scenario of existing scholarly discourse about Singapore is that the "system has escaped a consensual definition" (Worthington, 2002: 6).

The problem with the existing debate about the nature of governance in Singapore and Botswana is that the emphasis on authoritarianism (or the lack thereof) undermines investigation into the very nature and source of these governments' legitimacy to engage various interests in society and implement their policies over the past three decades. Understanding the pervasive presence of the state, its interventionist mode of policy implementation and its close, exclusive collaboration with carefully selected policy partners require an exploration of the means by which the state in a nominal democracy has been able to "win" the acquiescence of its people and the close cooperation of its policy partners. It is not merely by the crude mechanisms of control or intimidation of dissenters that these governments have maintained their grip on the market. This is not to suggest that the Singaporean and Botswanan governments have not resorted to such measures as the use of the legal-administrative apparatus to control social dissent and the media and weaken the political opposition (Rodan, 2006).

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

Institutional Legitimacy: A Comparison

Policy implementation in Singapore and Botswana has often been characterized by a sophisticated blend of manipulation, elite coalition and co-optation, and institutionalized patronage on the part of the government in order to maintain its legitimacy to govern the market. By these means, these governments have been able to redefine the state as a purely purposive entity, and their governments as the legitimate conduits for achieving the "collective" ends of the social compact: ends that are themselves defined by the government. Moreover, through successful regime reproduction and transformation/adaptation over time, both the PAP in Singapore and the BDP in Botswana have been able to perpetuate their legitimacy across various phases of political development.

A mechanism by which the Singaporean government not only consolidates but also perpetuates its legitimacy to govern the market is through successive institutional adaptations and state transformations to preempt, curb and manage civic awareness in a gradually changing society. Regime reproduction has been a dynamic process in Singapore. The government relies on co-optation of new social forces to the PAP, resulting in controlled institutions and values.

The predominance and hegemony of the PAP have defined the landscape of policy implementation in Singapore since self-government and eventual independence, right up to the mid-1980s. The conditions of those times provided several bases for the legitimacy of the PAP's highly paternalistic, interventionist and technocratic orientation to economic development policy formulation and implementation, among them: the urgency of political survival in the face of the communist threat and internal communal violence; the mass material deprivation of a post-war generation and the PAP's promise to deliver the goods, services and jobs so urgently needed; and the lack of a credible alternative to the PAP, given that the opposition parties were highly disorganized and ideologically driven, with vague or, sometimes, utopian socialist platforms (Quah & Quah, 1989: 106-7, 103-107). The legitimacy of the PAP's paternalistic and exclusive approach to market governance was thus reinforced over these years.

As in the case of Singapore, the nature of state power and authoritative legitimacy in Botswana has been partly based on the success of bargaining and compromise within the state as a collective and decisive actor in development policy implementation (Edge & Lekorwe, 1999). The process involves a strategic elite coalition between cattle farmers, traditional chiefs, bureaucrats and politicians. The state's legitimacy is also partly based on its ability to present a "collective front" in both rural and urban areas. With such a collective front, the state has been able to engage society within the specific area of economic diversification in Botswana, adapting itself successfully to the changing structure and process of partnership with the private sector, including foreign capital in mining and, more recently, intensified partnership with the private sector and other societal groups across a range of interests.

Botswana gained independence with a clear and urgent vision to forge a strong and viable nation that could "etch" its place in the community of nations and resist the geopolitical threat from its giant neighbour, South Africa (Samatar, 1999). As in Singapore, successive governments since Botswana's independence have continued to conceptualize their mission principally in terms of developing the economy of this newly independent but socioeconomically fragile nation. In practical terms, the political leadership's priority was to establish institutional mechanisms through which the state could establish and consolidate its legitimacy to manage the economy and govern the market towards well-articulated economic development goals (Charlton, 1991: 265-7). Using various public agencies, the government embarked on a systematic transformation of society through the provision of social and economic infrastructure and the distribution of national resources.

The state thus maintained a pervasive presence over society and the economy, positioning itself as the legitimate repository and conduit of national development and market governance. Going beyond the rather harsh charges of executive and bureaucratic authoritarianism (Good, 1996: 53-77) that have been levied against the governments of Botswana, a careful look at the policy processes and institutional properties of economic management will reveal a state socially embedded in "civic networks" (Carroll and Carroll, 1999; 2004), although characterized by a paternalistic tendency.

One significant strategy employed by the Botswanan government was the active promotion of the façade of ethnic homogeneity throughout the independence period as a mechanism for reducing the diversity of interests with which the state must contend. By doing this, the executive leadership reduced the complexity of the strategic environment of policy implementation. However, "the reality is that ethnic homogeneity cannot be equated with ethnic singularity and the linguistic predominance of Setswana obscures the extent of cultural diversity in Botswana. It is a remarkable testament to the government's institutional legitimacy that Tswana-dom has been accepted and even supported by non-Twsana groups" (Tsie, 1995: 62-69). While some Batswana may be increasingly questioning the legitimacy of Tswana-dom, it still remains generally accepted.

The state also consolidates its institutional legitimacy through its active engagement in resource control and distribution (Charlton, 1993) in ways that could be considered well-institutionalized patronage that reinforces state paternalism. It also reinforces the political dominance of one party, the Botswana Democratic Party (BDP), through the systematic integration of party and state, leading to the consolidation of the BDP as the "sole government" of Botswana since independence. In Botswana, the BDP is the state, and the state is the BDP. This was further reinforced by the fact that the opposition party, the Botswana National Front (BNF) was fragmented, weak and demoralized, mostly ideologically driven, and lacked a convincingly pragmatic and coherent policy alternative to the BDP.

The development policy of Botswana is based on four principles formulated in the BDP manifesto: namely, democracy, development, independence, and unity (National Development Plans 9). The government has used these four principles as symbolic and material tools of legitimacy by which it rallies the diverse interests within the nation, articulates a "unified" purpose of the state, and define the boundaries of development policy discourse that shape civic life. Another important national "ideology" (or pragmatic tool of legitimacy) is that of *kagisano* which the executive leadership describes as the "totality of the national principles of unity and social justice that define Batswana" (Mogae, Independent day Speech, 2005).

According to a senior official of the Bank of Botswana, "*botho* is also a principle of governance in Botswana-- it emphasizes human decency, caring for other people...." By articulating these broad principles and objectives, the government uses symbolic languages that appeal to cultural and national sentiments and values in defining the state as a purposive association, and the BDP as the legitimate conduit through which these principles are to be realized. By accentuating the purposive dimension of the state of Botswana, the government implicitly de-emphasizes conceptualization of the state as a civic association. It positions the government as the legitimate repository and conduit of national development maintaining a pervasive presence in all aspects of society and the economy, with a passive citizenry who "trust" and acquiesce to the government in managing, improving and delivering the common wealth of the nation.

In Botswana, the character of the relationship between the government and the private sector has been one where the government focuses more on rules, regulations, macroeconomic management and disbursing loans to the private sector. It internalizes the processes of economic diversification and seeks to actually manage labour and capital as "useful variables" in its grand vision of market governance. Business has tended to reinforce this state of affairs by its focus on concessions from government. Labour, on the other hand, feels a sense of detached suspicion that market governance is a state-business affair where they (labour) must seek to hold their own against the excesses of market exploitation. Yet, labour's reaction to the government is complicated by the fact that the former is a loose constellation of citizens whose perception of government is equally influenced by a complex web of institutionalized patronage in the form of generous social service delivery in education, health and other distributive mechanisms that the government has so successfully developed to reinforce its moral authority as the embodiment of the common wealth (BIDPA Working Paper-- Public-Private Sector Strategy for Employment Creation).

In Singapore, recent years have seen increasing challenges for the PAP in the sense that the very success that accompanied the legitimacy it enjoyed in implementing its economic policies and transforming Singapore into an industrialized society may yet prove to be its nemesis. The more numerous, rapid and varied the changes a government introduces, the more it requires links to consolidate the legitimacy of its authority over the economy and society. Society, however, has also been changing in the process. The one big problem with Singapore's pervasive socioeconomic engineering is thus that the initial conditions that legitimized the creation of the system have changed. The survival-oriented environment that justified technocratic elitism and pervasive interventionism has been radically transformed, resulting in a wealthy, self-confident and demanding generation. Governance will have to include an increasing degree of public involvement.

In recent years, institutional initiatives have been introduced to open up avenues for political expression and consensus within the policy arena. The weak or even almost non-existent nature of civil society in Singapore is a good example of the state's hegemonic domination of the policy space. The state has even been able to penetrate and co-opt civil society, to the point where it attempts to engineer the economic, political and cultural behaviour of society through these very groups that are supposed to be independent voices within the arena of policy formulation and implementation. While it claims to be consulting with society, the government rejects the notion of civil society groups, and prefers to see them as active citizens contributing to the policy discourse. Organized interests may articulate the needs of their members, mostly as "civic advisers" to policy formulators. The government thus manages and internalizes the process of policy discussion in a way that amounts to an expansion of the state rather than an opening up of the political space.

The institutional legitimacy of the government at the broader systemic level (of government-citizen engagement) enabled the administrative machinery to govern the market through selective co-optation and partnership with certain policy stakeholders within the market. The result is of market governance in Singapore that took the form of the "depolicitization" of the framework of policy formulation and implementation. Added to this was the strong belief of the ruling PAP in technocratic economic management free from the uncertainties of interest politics (Seah, 1999). The administrative machinery, primarily agencies, was able to operate within a depoliticized environment, where they built close collaborative partnerships with foreign business and moderate segments of organized labour, and exclude most local businesses and left-leaning labor groups as "undesirable elements" within the policy space (Roy, 1994: 231). Thus, the institutional legitimacy of economic development agencies-- and the civil service as a whole -- extended not only to society at large but, more specifically, to their policy partners within the market.

The most characteristic feature of the tripartite structure (especially through the framework of the National Wage Council (NWC)) of market governance is that they provide a framework through which dialogue between labour and capital is fostered, bargains are struck, and systemic long-term synergies are cultivated for industrial development. While the obvious rationale of the NWC was to guide wage increases, its real value is that it provides a forum for the legitimization of collaborative network governance of the market. It allows for the institutionalization of frank and open discussions among market actors, with the mediation of the state. In fact, the recommendations of the NWC are arrived at by consensus rather than by majority vote.

Through its exclusion of local enterprise within the government's tripartite framework of economic management, a potential political force was thereby delegitimized out of any serious influence on the direction of economic development. Moreover, by effectively co-opting organized labour through the government's tripartite framework, a considerable constellation of labour interests as a political factor was "internalized" within the government's rationale of opaque policy negotiation and "consensus" governance.

For instance, in its dealing with MNCs, the EDB maintains a close relational fusion with its MNC partners, but manages to keep a clear operational autonomy that makes it independent of their particularist interests. The success of this strategy was seen in the fact that foreign economic interests could not make the state deviate from its strategic movement in a certain direction (interview with a senior EDB official). While the state remains sensitive to their needs and demands, the former was able to restructure the economy at will across critical junctures of its industrialization. Within this depoliticized administrative context, the government was able to maintain a highly effective economic management. The government is thus ensured the dual advantage of "legitimizing" its active management of the economy and, also, reinforcing its operational independence of particularist interest articulation.

As pointed out earlier, conclusions about economic policy implementation are impossible without appreciating the implications of socio-economic and political developments over the past decade. The chapter on Singapore analyzed recent developments that are gradually changing the policy landscape in that country. Seeing the signs of changing times, and as the PAP suffered a decline in its popularity, along with a recession in the country's economy, the government has initiated new institutional adaptations (Huat, 1998).

In the past, as was outlined, the government successfully established their authority to govern the market using mechanisms of manipulation and control as outlined earlier; now, however, they must deal with new demands for public involvement. Even while the government insists on a paternalistic approach to collaborative management, it is increasingly compelled by systemic forces-- domestic and international-- to reconfigure its engagement with the citizenry, as well as with direct policy stakeholders.

In the case of Botswana, their relatively privileged partnership with the government leads business representatives to repeatedly affirm their belief in the centrality of partnership between government and the private sector as the framework of private sector development towards economic diversification (National Business Conference 2000, 2002, 2004). Organized business is even pushing for the deepening of state-market collaboration, in which the state would provide an active leadership in the market. But the mindset of dependency and concession-seeking is often revealed in the private sector's conceptualization of this partnership (6th National Business Conference

2000: 1444-1452); it is often preoccupied with the various "assistance schemes" that businesses can get from government. According to one researcher at the BIDPA,

> relative to the rest of Southern Africa, the government of Botswana does everything here, so the business people look to government for contracts.... and even for seed money, also. So there is this culture of dependency. There is also the culture of entitlement; government should provide us with this and that. Also, culture of risk taking is quite minimal or nonexistent. Batswana would rather do the average-- the familiar-- and crowd into that area rather than venture into new things (interview with a BIDPA researcher).

The government's position is further complicated by the fact that in spite of its paternalistic engagement with the private sector, and in spite of its willingness to court the goodwill of capital over business, this "partnership" is not without its tensions. For instance, the BDC has been called upon by the BOCCIM to improve on its partnership with private enterprises, reflecting some degree of private sector dissatisfaction with an agency so central to the government's engagement in the market (7th Annual National Business Conference, 2002). At this conference, there are even instances of sharp rebuke of the government's activities through the BDC as potentially undermining, rather than facilitating, the interests of the private sector (National Business Conference, 2002). Moreover, at the business conference of 2004, a business representative made an implicit rejection of the MFDP's macroeconomic management as detached, insufficient and complacent about the needs of Botswana's private sector (National Business Conference, 2004: 22-34).

In spite of these periodic expressions of disappointment with the pace of economic diversification, however, market actors have reiterated their eagerness to maintain a privileged relationship with the government, just as the government desires to embed itself in exclusive partnership with the private sector, which it considers "strategic partners" in an increasingly complex political and economic environment (National Business Conference, 2002). Ironically, while the government may be seeking to maintain institutional legitimacy to continue its paternalistic model of market governance, it may very well be compromising its ability to achieve the desired trajectory and pace of economic diversification policy implementation by becoming increasingly beholden to the parochial interests of a subset of the market. For instance, privatization poses an ominous (but hitherto unheeded) threat to the general perception of government as the repository and channel of national welfare as social service delivery becomes separated from the state and contracted or divested to private enterprises whose competency remains highly questionable.

In fact, there is some indication that the nature of the administrative machinery's engagement with market actors is compromising its legitimacy within the broader political environment, especially in the urban areas where disenchanted labour tends to have a stronger voice. For instance, the BDP has witnessed a steady loss of votes to the opposition BNF in the last two general elections.

In conclusion, the claims made by some scholars that the policy environment in Botswana is authoritarian are the results of misreading of politics and governance in

Botswana. Although these scholars capture the essence of the pervasive presence of the state in society, they tend to overstate their case in claiming that the government is "authoritarian." What is even more misplaced in these assessments of governance in Botswana is the implicit underestimation of the government's ability to adapt to the imperatives of legitimacy.

In terms, however, of strategic economic policy implementation, state-market partnership in Botswana is really degenerating into a state-business partnership in which labour is systematically and increasingly excluded. The recent prevalence of the discourse of privatization of public agencies reflects such tendencies of the dependency of business and exclusion of labour. The BOCCIM is claiming responsibility for initiating privatization as a policy option (interview with researcher, BOCCIM), and the government has embraced privatization of its public enterprises, even though the private sector often lacks the capacity to undertake such operations, and even though organized labour has initially expressed opposition to privatization (although some members now support it, while most seem indifferent) (Official, BFTU). Under such a skewed collaboration with market actors, the government must rely on the exclusive goodwill of business for its governing authority in policy implementation: a rather precarious basis for legitimacy, and a somewhat dysfunctional network partnership.

Recent Trends in Institutional Legitimacy

As the governments of Singapore and Botswana try to develop multifaceted forms of institutional adaptation, the key question for the medium to long term is whether these will prove to be an adequate response to the emerging tensions of changing expectations, new actors and new economic processes. Will these tensions lay the basis for substantively different institutions of market governance, or will they undermine the legitimacy of two obstinately paternalistic regimes? The rest of this section assesses the Singaporean and Botswanan governments' efforts at institutional transformation, examining their attempts to adapt their exclusive model of market governance to the new exigencies of institutional legitimacy.

At the broader policy forum, the Singapore and Botswana governments have been showing willingness to engage in more consultations with a wider constellation of policy stakeholders. In Singapore, the government is anxious about the possible political implications of the accelerating social pluralism accompanying the city-state's rapid economic transformation (Low, 1998). In Botswana, the government is keen on pre-empting any translation of emerging and consolidating civic organizations and interests (Carroll and Carroll, 2004) into a systemic clamour for a genuinely independent civil society through which the BDP's absolute control could be challenged-- a view only reinforced with the advent of political liberalization elsewhere in the region (like South Africa), where democratic transformations are also affecting policy processes.

Accordingly, both the PAP in Singapore and the BDP in Botswana are embarking on a series of creative, pre-emptive institutional initiatives meant to steer change in their respective countries down a preferred path of political co-optation rather than contestation within the policy or political arena. One thus observes new forms of political participation and related policy discourse emphasizing political consensus in both countries. The initiatives are designed not so much to block opponents and critics of the government's economic (or social) policies as to develop new political and policy institutions consistent with the government's control of the process. Hence, the feverish rhetoric of these governments about policy consultation with Singaporeans or Batswana. Arguably, the aforementioned moves are fundamentally gestures of managed change, reinforcing the expansion and legitimacy of the Singaporean and Botswanan states through the co-optation of civil society within the state itself (interview with NUS professor, Singapore; interview with a BIDPA researcher, Gaborone).

In conclusion, economic policy implementation in Singapore and Botswana faces a different situation at present compared to the past. In spite of various mechanisms of state transformation, governance has not really been modified to genuinely reflect changes in society and the economy. The institutions and processes have only been tinkered with to enable the Singaporean and Botswanan governments to effectively anticipate, accommodate and, even, shape pressures for reform of the framework of governance in general, and economic policy formulation and implementation in particular. This has involved increasingly creative measures to expand the political space of the state through new forms of coalition, co-optation and manipulation. The future of economic policy implementation in Singapore and Botswana is made complicated not merely by changes in the economy and society, but also by two reluctant governments stuck in their paternalistic mode of network partnership in general, and of market governance in particular.

Chapter 9
Conclusion and Recommendations

In conclusion, the discussion so far has sought to identify and analyze the institutional properties and processes through which economic development policies are implemented in emerging democracies, looking at Singapore and Botswana specifically. The main questions that have been addressed include: first, what are the administrative and political mechanics that surround the rather complex and dynamic relationship between the public and private sectors in the pursuit of economic development in these two countries? Second, how do institutional principles such as administrative capacity and institutional legitimacy of network governance in policy implementation explain the nature of partnership formation between the public and private sectors within different political and social contexts in the pursuit of certain economic policy goals?

In answering the above questions, the issues that were investigated include the following: first, understanding the nature of the state as a key economic policy actor or agent by examining its administrative capacity and institutional legitimacy to govern the market along an articulated trajectory of development, particularly private sector development. The second issue was appreciating the relationship between the state and organized interests in the market as a framework of trans-sectoral policy collaboration. Third was an examination of the adaptability of state-market collaborative networks to changing trends in politics and the economy.

The concepts of institutional relationships and processes in policy implementation are very significant for this thesis. The term "relationship" in this context suggests a two-way process: a political system consists of the environment that influences the conduct and performance of public administration and policy implementation. Policy implementation, in turn, implicitly shapes the nature of politics. This dimension of the relationship could be described as the dynamic interaction between public policy and the strategic environment of politics. Key elements of these relationships and processes were conceptualized in our discussion as the requisites of administrative capacity and institutional legitimacy in policy implementation.

In addressing the questions and issues formulated above, the analytical scope of the study focused on a cross-cultural and cross-regional comparative study of policy implementation in Botswana and Singapore. The experiences of these two countries provided invaluable policy lessons. The aim was to understand certain common characteristics of public administration, or policy implementation, in particular, across very different political and cultural environments. The developmental ethos of the governments in Singapore and Botswana are fundamentally similar in their use of interventionist instruments to bring about desired economic and social progress. They are also similar in their attempts to legitimize their interventionist management of the economy through exclusive partnerships with organized private sector interests over the past forty years. Moreover, these two countries share a major emphasis on integrating their civil services and their public agencies into their political programs as integral instruments of administrative coherence and institutional legitimacy in economic policy implementation.

The governments of Singapore and Botswana similarly embarked on the development of a systematic repertoire of consent building strategies through the state's administrative machinery engaging in collaborative market governance in concert with non-state actors in the private sector. These two governments have, moreover, made efforts over the years to reproduce their hegemonic control and pervasive presence in the social, economic and political quarters of their respective countries, sustained through a number of interlocking mechanisms of consent building, coercion, manipulation and institutionalized patronage.

Singapore and Botswana have also, however, had similar experiences in recent years whereby the institutional configuration towards increasing multiagency management of their economies, as dictated by the new direction of industrial development in more complex economies, is having some effect on the governments abilities to effectively spearhead the pace and direction of economic development. Furthermore, in both countries, collaborative governance of state-market relations now consists of a more heterogeneous and complex policy arena with the inclusion of local entrepreneurs whose confidence is bolstered by the understanding that Singapore's and Botswana's economic prospects in their respective regions and in the world require their input and participation-- and, therefore, new forms of partnerships.

Even in Singapore, whose tripartite framework, consisting of the government, business and organized labour has had more success in economic policy implementation, public-private network governance is experiencing some changes in its nature, composition and goals, with dire implications for the state's capacity and legitimacy in economic policy formulation and implementation. Recent political, economic and social trends in Singapore are creating more rapid changes that are redefining the contours of state-market relations. The state is finding it more difficult to adapt to the changes of expectations in a more affluent and increasingly cosmopolitan society that is less susceptible to manipulations, whether in the form of the ideational rhetoric of "Asian distinctness" or more materialist manipulations, such as the institutionalized patronage that the "economic contract" represents. In a nutshell, in both Singapore and Botswana, the imperatives of economic restructuring in recent years are necessitating new configurations of state-market partnerships, especially with the inclusion of local enterprises into the policy and administrative arena: and these have implications for administrative capacity and institutional legitimacy in collaborative economic policy implementation in both countries.

In terms of administrative capacity, we saw that Botswana's successful management of the macroeconomy on the one hand and the persistent stagnation of private sector development on the other need not be a perplexing paradox. The evidence from the analysis above seems to highlight the need for Botswana to go beyond macroeconomic management and planning (which are important) and also focus on restructuring the public sector and reorienting implementation processes to foster a more coherent and comprehensive collaborative network within the agencies and ministries of the public sector and also a more robust partnership with the private sector.

Singapore's economic policy implementation strategy on the other hand, is characterized by the strategic partnership between public agencies, led by the EDB, and endowed with the institutional coherence through their multiple linkages (both between these agencies on the one hand and between agencies and the relevant ministries in the civil service). While such a system is not without its own complexities and pitfalls (such as the potential for corruption), nevertheless, it provides the advantage of a well-linked and coherent machinery. This contrasts with the institutional fragmentation one notices in Botswana. Moreover, the operational autonomy of these agencies enables them to maintain a close embeddedness within the market through consolidated networks with private economic actors (although the risk of policy capture by power interests cannot be overlooked). Government interventions, while extensive, have been purposeful without being inflexible.

However, over the last fifteen years, administrative capacity in Singapore and Botswana is having new challenges: as economic diversification continues to be a growing concern in Singapore and Botswana; as competitive forces awaken in their respective regions, and as the international economic order proves less congenial and harmonious, market governance is proving to be more challenging than before. In both countries, collaborative state-market partnership will have to shift from the exclusive partnership and policy monopoly that characterize private sector development in the earlier years in order to respond to their new domestic configurations as well as regional and international ones. Local enterprises are becoming significant and permanent fixtures of the Singapore and Botswana economies -- and these local market actors are in turn changing and becoming more confident as strategic players. Moreover, in the case of Singapore, the configuration of labor is changing with increased specialization and emphasis on skill and productivity whereas in Botswana labor is increasingly questioning their marginalized role within the public-private partnership framework. Factions and jurisdictional turfs are emerging within the public sectors of Singapore and Botswana as their increasingly complex and internationalized economies create specialized organizational enclaves, thereby worsening the tendency towards fragmentation of visions and strategies about the direction of the new economy. Having all these changes only serves to worsen the predicament and challenges of market governance in these two countries where their pervasive governments have relied on tight control over market forces and actors.

In terms of institutional legitimacy, the experience of Singapore and Botswana consists of several dimensions. First, it has been influenced by the very specific historical, ethnocultural, and geopolitical context of these countries. Second, these states have been, from the start, sensitive to, and considerate of, broad interests of the population -- even though in practice they did not treat them equally. Third, institutional legitimacy, especially in Botswana, has been based on a blend of traditional and modern institutions of governance by which the state has been able to appeal to cultural symbols and sentiments as well as exploit the apparatus of state power. Fourth, institutional legitimacy has been reinforced by making it adaptive to changing societal expectations and demands. Fifth, it has been based on a tacit 'social contract' in which the state undertakes to deliver the basic needs of the majority of citizens through a conscious program of social service delivery, and in turn, commands a paternalistic authority as the sole and legitimate embodiment and custodian of national welfare.

However, over the last fifteen years, institutional legitimacy for private sector development in Singapore and Botswana is confronted with new kinds of challenges. In spite of various mechanisms of state transformation, governance in both countries has not really been modified to genuinely reflect changes in society and the economy. The institutions and processes have only been tinkered with to enable the Singapore and Botswana governments to anticipate, accommodate or deflect pressures for reform of the framework of governance in general, and economic policy formulation and implementation in particular. This has involved increasingly creative measures to expand the political space of the state through new forms of coalition, co-optation and manipulation. The future of economic policy implementation in Singapore and Botswana is made complicated not merely by changes in the economy and society, but also by two reluctant governments stuck in their paternalistic mode of network partnership in general and market governance in particular.

Several inferences can be drawn from the discussions of these two cases. The first lesson is of a more substantive nature: that in developing countries, the state has a necessary role to play in governing the various and multiple interests within their markets and in shaping the direction of private sector development. This study refers to such a role by the state as *pragmatic economic management*. Pragmatic economic management requires a developmental state that strikes a balance between an economic policy environment where the private sector sets the pace and direction of economic development, on the one hand, and an environment where the state intervenes and actively participates in the economic policy space on the other.

The second lesson is rooted in public-private network governance. It can be inferred that in pragmatic economic management the ideal condition is for the state to engage in relational forms of collaborative governance of the market, with an emphasis on a holistic and comprehensive engagement of all sectors of the economy. Pragmatic economic management requires that the developmental state be adept at institutional support systems that go beyond complacency with macroeconomic management and a more robust policy network engagement with market actors, especially organized business and labour.

Yet another lesson about management of economic policy processes inevitably follows: network state-market partnerships should encompass some form of horizontal management (or strategic management) among partners or stakeholders in economic policy implementation without compromising the logic of hierarchical leadership of the state in a democratic polity. With this type of market governance model, the state must be willing to let the private sector play a more active role in economic policy formulation and implementation, while at the same time mapping out the path and pace of development. Although the state may set sectoral targets across various strategic points in the process of economic policy implementation, its focus is on linking the various sectors together in an integrated framework that seeks to build intersectoral links leading to a more self-sustaining and integrated economy. Through strategic management, the state maintains a central role in the creation of these links among potentially conflicting and fragmented market actors and interests and steers them towards integrated economic development. These state-market network links are maintained through specialized, autonomous and yet coherently interconnected agencies engaging organized interests within the market.

Strategic and cooperative public-private partnerships in which governments are substantially involved in active development management hold the potential for improving efficiency and service delivery by allowing governments to exploit the managerial flexibility, organizational competence, and positive synergies that could be generated from collaborative arrangements. Strategic management requires new sets of skills that will necessitate reorientation away from the bureaucratic centralism and vertical top-down hierarchy of traditional administration to more horizontal, coordinated governance of networks of organizations, both public and private.

A rigid or over-centralized bureaucracy sometimes compromises the ability of field agents to be responsive to local situations. This often results from the preoccupation of certain central ministries with seeking to extract responsibility and responsiveness from public agencies. Senior level bureaucrats are often preoccupied by establishing and maintaining mechanisms to ensure that subordinates in field agencies are complying with head office rules and procedures. This is not necessarily a bad thing, and is, even, arguably, necessary in a democratic system. Yet preoccupation with this goal often conflicts with field agents' need for some freedom to be responsive to local situations within a given sector of the economy. Such an operational ethos has been characterized as one of command and control of processes in ways that lead to a lack of intimate understanding of clients' needs; whereas field officers tend to be more attuned to those needs, yet subjected to all the stifling controls imposed from above. In other words, there exists a great divide -- a fractured reality -- that separates the "worlds" of ministries and field agencies, both vertically between ministries and agencies, and horizontally among agencies.

Another dimension of over-centralized administrative systems is the uneasy tension between the equally compelling goals of differentiation and integration. Differentiation refers to the need for a division of labour so that each organizational unit has a set of specified duties and responsibilities, whereas integration is concerned with the coordination of activities of these separate units. While ministries often have different responsibilities, and definitely need clear distinctions in their operational mandates, much fragmentation in policy implementation could be overcome by a closer coordination between ministries that serve interrelated functions. For instance, in private sector development, given the highly interrelated nature of business development, ministries of trade and industries need to work more closely with those of finance. Failing to integrate their operational strategies has tended to create conflicting priorities and uneasy tensions between them, where one ministry (e.g. the ministry of finance) may be preoccupied with financial conservatism while another (e.g. the ministry of industry) may be predisposed to development resource allocation. Worse still, different signals from different ministries and senior bureaucrats can leave field agencies confused, and torn between conflicting policy priorities.

This means that public managers need to be adept at balancing the imperatives of the state as both a "purposive" and a "civil" association. That is, public managers engaged in strategic management develop an ethos and a sense of mission oriented to project implementation while, at the same time, paying attention to negotiation, deliberation, compromise and consensus. Strategic management requires some measure of "political elasticity" (Werlin, 2003: 330-2) by which the public managers are able to command the confidence and authority to steer the course of development, yet at the same time exercise some dexterity in engaging significant policy partners through various combinations of consultations, negotiations, and compromise.

Strategic management skills are ideally suited to the nuances of relationships or partnerships with private actors. Therefore, strategic management requires that public managers possess not merely a list of static technical qualification for operational efficiency but also a strategic competence that involves communication, relational and bargaining skills: these skills are revealed in management behaviour and their utilization "varies across time and space within a given program or project" (McGuire, 2002: 600).

Botswana's experience with economic policy implementation has thus been marked by clarion calls from various quarters (not least the private sector, which has been the most disillusioned beneficiary or client) for public sector reforms to address the stagnation in the government's private sector development programs. Botswana (and over the last fifteen years, Singapore) need to give proper institutional expression to their policy commitment to the centrality of partnership between government and organized private sector interests as the framework of economic policy implementation. Giving institutional expression to such a commitment involves several practical dimensions: first, creating a wider platform for government/private sector contact towards a more strategic or institutionalized partnership; second, a network perspective on economic policy implementation that takes seriously the role of domestic enterprises, yet not to the exclusion of certain segments of the private sector.

A fourth lesson is that trans-sectoral collaboration also requires a private sector that takes seriously the urgency and importance of building its own organizational capacity as a significant network partner in market governance. It will, moreover, require a more strategic outlook on the part of non-state actors whereby they view themselves as policy stakeholders with resources to contribute to the enhancement of policy governance, rather than seeing their partnership with the state as a forum for dependency on it. In both Botswana and Singapore (but more so in the former), the private sector should view state-market partnership beyond the narrow clamour for protection and subsidies or simply taking over state enterprises as a short-cut to private sector development.

Also, in the case of the role of organized labour, it will require that both the state and business actors recognize and respect the significance of organized labour as strategic policy partners. When it comes to state-market partnership, businesses (especially in Botswana, but true as well in Singapore) have a tendency to define the "private sector" merely as "a constellation of businesses," with an implicit exclusion of organized labour. A more comprehensive definition of the private sector to include business and labour would mean that the processes and institutions of economic policy implementation should be expanded to reflect a more comprehensive framework of network partnership involving the state, business and labour.

A fifth lesson that could be inferred is the need on the part of the state for a more strategic thrust in institutional adaptation in its partnership with business, especially as markets around the world are increasingly transformed by global processes. While both Singapore and Botswana have demonstrated some flexibility in adapting their agencies to accommodate new forms of partnership with the private sector, over the last fifteen years, both countries have struggled to make the necessary institutional adjustments. The imperatives of operating in a globalized economic environment necessitate a more systematic focus in both Singapore and Botswana on supporting institutions with clearly defined mandates and coordination mechanisms geared towards greater coherence, autonomy and ever closer network links for efficient and consistent policy implementation. Such support seems to be a more acute need in Botswana, where market governance needs to go beyond the traditional complacency with macroeconomic management. But it is true as well of Singapore where the government's attempt to include local enterprises into the economic policy implementation framework has complicated state-market partnership.

A sixth inference that can be drawn from the experience of Singapore and Botswana is the recognition of the imperatives of institutional legitimacy as central to the governance of public-private networks in the implementation of economic policies. Policy implementation of any sort requires an enabling political environment. Institutional legitimacy is more than creating a political atmosphere conducive to good governance: it is also about creating the institutional infrastructure for legitimate network engagement with non-state actors-- especially immediate policy stakeholders or beneficiaries-- as a prerequisite to successful implementation of private sector development.

In patriarchal cultural systems such as that of Botswana, or one with institutionalized patronage and limited democracy like Singapore's, one finds a process of policy implementation by which the variables of politics are less complicated, and public managers and technocrats tend to have a relatively free hand in the direction of policy. In such systems, pragmatic economic management tends to take corporatist forms of strategic management in which the administrative machinery engages in exclusive partnership with market actors. In systems where private sector development emphasizes foreign direct investment as a means of enhancing market development, the clientele that constitute the market partners are mostly foreign businesses-- as is the case in Singapore.

The pitfall of such forms of exclusive partnership is that while they seek to legitimize policy implementation by engaging state agencies in close partnership with private actors in the market, ironically, bureaucratic-economic elites tend to reign with a growing gap between elites and masses (citizens). Such forms of public-private network partnerships distance themselves from "non-essential" societal interests leading to the enhancement of powerful private economic interests. The logic behind such exclusive forms of partnership is one where instrumental rationality dictates a tendency towards "selective socialization" (Peters, 2001: 691-2). Selective socialization is the process by which public agencies engage only that segment of society they deem most "relevant" to the success of a particular policy. The rationale of such partnership is that it uses the rhetoric of the state as a "civil association" to justify its engagement with its implementing partners, yet the process of selection of its partners is predominantly characterized by ideas of the state as a "purposive association."

As Naomi Chazan (1988: 121-2) observes, one must move beyond purely state-centric approaches that view the state as the key collective agent of policy processes, and note rather how "social constellations measure their affiliations and the degree of their involvement [with the state] in light of their concerns, capacities and needs." The unit of analysis in economic policy implementation then becomes not merely the state as the sole magnet of market governance, but also specific non-state interests and groups. In other words, in addition to understanding the macroprocesses through the lens of the state, one must also pursue an assessment of the dynamic interaction between "microcollectivities" and the state within any given policy environment.

The focus of analysis becomes not merely the profound bearing that the state's actions may have on economic policies, but also how organized interests maintain an institutional and resource base that permits them to act independently or conjointly with organizations and processes in the public domain. Politics, power and control are constantly being contested between the state, on the one hand, and non-state actors on the other. The institutional legitimacy of the state apparatus, the resources it controls and distributes, and the manner in which it implements economic policy may trigger association with or dissociation from it by non-state actors.

Institutional legitimacy thus requires, first, an approach to economic policy implementation that conforms less to imposed models of statehood, and second, a move towards the dynamics of interchange as they are manifested in the market. Institutional legitimacy therefore sees economic policy implementation as involving the effective engagement and mobilization of policy stakeholders and, also, building that significant social capital by which the state maximizes its prospects in successful policy implementation. Institutional legitimacy is succinctly captured by Brian Tomlinson's (2000: 3) analysis of the interaction between administration and politics in his assertion that the process of economic policy implementation is ultimately about politics influencing, and in turn being influenced by, power relations within any given policy environment. Thus, the challenge on the part of the state would be to move away from the rhetoric of collaborative network partnership and to elaborate more meaningfully the role of market actors.

Finally, the dynamic process of institutional development that is set in motion through trans-sectoral policy engagement between the state and market has intrinsic merits. Through such trans-sectoral economic policy collaboration, a mutually reinforcing framework of participatory processes and network governance is consolidated, which could spill over into other policy areas and segments of society, thereby consolidating the government's capacity and legitimacy to engage various organized non-state policy actors. Therefore, state-market partnerships in Singapore and Botswana provide critical and useful lessons not only for public-private network partnerships in economic policy implementation, but also for other forms of state-society relations and partnerships in various political and socio-cultural settings.

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Appendix 1

List of Interviewees

In order to maintain anonymity, the actual names of the interviewees are not included in the list below.

Singapore

Executive officer, GlaxiSmithKlyne (GSK) Pharmaceutical, Singapore
Executive official, the Singapore Chamber of Commerce
Former official, at the SPRING
Instructor, Singapore Civil Service College (CSC)
Middle-level official, Ministry of Trade and Industry, Singapore
Middle-level official, TEMASEK Holdings, Singapore
Middle-level official, Work Development Authority (WDA)
Official, National Trades Union Congress (NTUC)
Professor, Department of Political Science, National University of Singapore
Professor, East Asian Institute, National University of Singapore
Professor, Lee Kuan Yew School of Public Policy, National University of Singapore
Professor, Singapore Management University
Program officer, Economic Development Board (EDB)
Program officer, Jurong Town Corporation (JTC)
Researcher, Institute for South-East Asian Studies, National University of Singapore
Researcher, Institute of South East Asian Studies (ISEAS):

Botswana

Executive official, Botswana Confederation of Commerce, Industry and Manpower (BOCCIM)
Executive official, Botswana Development Corporation (BDC)
Middle-level official, Botswana Export Development and Investment Agency (BEDIA)
Middle-level official, Botswana Export Development and Investment Agency (BEDIA)
Official, Botswana Federation of Trade Unions (BFTU)
Planning official, Ministry of Finance and Development Planning (MFDP)
Policy adviser, Bank of Botswana (BOB)
Professor, Department of Political Science, University of Botswana
Program manager, Botswana Export Development and Investment Agency (BEDIA)
Researcher, Botswana Investment and Development Promotion Agency (BIDPA)
Researcher, Botswana Investment and Development Promotion Agency (BIDPA)
Senior official, Ministry of Finance and Development Planning (MFDP)
Senior researcher, BIDPA

Appendix 2

Draft of Interview Questions

It is worth noting that the questions below represent the initial questions I posed to my interviewees. Follow-up questions tend to vary from one interviewee to another depending on the nature of the discussion.

Could you please describe your job for me?

Could you please describe the process of economic policy formulation and implementation in Botswana/Singapore?

How does your organization's mandate fit into economic policy implementation in your country?

What is the nature of the relationship between your organization and the private/public sector?

In your view, how would you describe the relationship between the main ministries and agencies responsible for economic policy implementation?

What is the nature of institutional contacts between economic development agencies and organized business and labour?

More specifically, how would you describe the nature of consultation between economic development agency officials and the business community?

What is the perception of the business community about the government's credibility, authority and competence to govern the market?

What factors do you think could account for the strengths and weaknesses of economic planning in your country?

Is there anything else you would like to share with me about economic policy in Botswana/Singapore?