

Annual Report

2007



Botswana Institute for
Development Policy Analysis



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Mission & Values

The BIDPA mission is to inform policy and build capacity in policy analysis, with a vision to be a globally competitive policy research institute.

The Institute's values are professionalism, high quality output, integrity, and competitiveness. Respect for freedom of expression, trust in the ability of all stakeholders to inform policy changes and appreciative of the culture of 'botho' as enshrined in the Constitution of Botswana will remain central to BIDPA's guiding principle.

BIDPA

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Botswana Institute for Development Policy
BIDPA
Book

Annual Report Box

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Message from the Chair

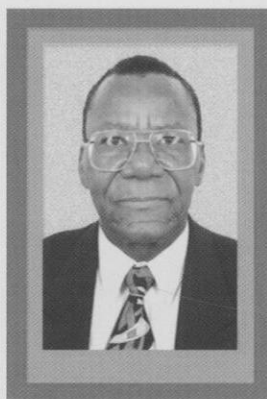
“You have to understand what it is that you are better at than anybody else and mercilessly focus your efforts on it”

Andrew Grove CEO, Intel

When BIDPA started its business in research, policy analysis and capacity building, policy advice were all associated with foreign expertise where economic consultants could only be recruited from the developed world. It was in this respect that BIDPA was initially formed with the view to enable citizen researchers to learn from these foreign experts. This explains why the Capacity building objective remains central to the Institute's mandate. After eleven years of operation BIDPA can now boast of having about 50 % of its Senior Research Fellows being citizens.

The number of citizens either holding PhD degrees or being on PhD study leave currently stands at six. Additionally, three non-BIDPA employee citizens have completed their PhD studies with two of these occupying very senior government positions. At middle research cadre level, BIDPA boasts of having sponsored and practically trained masters' degree holders who now hold middle management positions at such leading parastatal organizations as PEEPA, CEDA and LEA. These examples clearly demonstrate the extent to which BIDPA has succeeded in building citizen capacity in Policy analyses. It gives me much pleasure to note that BIDPA Phase III project which was concluded during this year went a step further to secure resources for the external PhD programme as well as an internship programme that will make it possible for junior government officers to be attached to BIDPA for a period of at least six months. This will not only build policy research capacity of these officers but will also enhance BIDPA's understanding of Government's policy research needs.

The provision of high quality research output and well thought out policy advice was one of the major reasons for BIDPA's formation and funding by the Botswana Government. The Institute therefore remains highly obliged and committed to achieve this objective. If BIDPA was not to carry out this mandate, the Institute would be failing its stakeholders who depend on its high



quality research output to provide informed policy interventions required by our economy to be globally competitive. Research outputs for this year indicate that while we have made considerable strides in this area there still remains room for improvement. It is my considered view that BIDPA needs to have strong linkages to each of its stakeholders. It must reach out not only to the Government but also to legislators, the Executive branch, the BIDPA Board and, taxpayers who foot a good portion of the Institute's bill. Without the support

of these constituents, BIDPA's research and policy analysis and advice would be unacceptable, especially in terms of country's ability to fight poverty.

I am confident that BIDPA is cognizant of the need to create these linkages and stands ready to help wherever it can. Our work over the last year has taken many forms, from providing assistance with policy strategies to acting as a resource for research, information, and expert assistance to projects in several areas. Our goal has been – and remains – to help our country and its institutions successfully carry out policy research and analysis' for many and varied stakeholders.

BIDPA Management and staff remains ready willing and able to assist all the Institute's stakeholders to address emerging policy challenges and to facilitate the formulation of appropriate policy interventions on environment, health, poverty and economic diversification. I therefore urge all stakeholders to make use of this national resource. This list of outputs that were achieved by the Institute this financial year clearly bears testimony to the Institute's capability in policy research and advice.

Prof. THOMAS TLOU
Chairperson

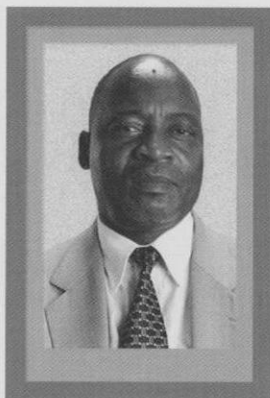
Message from the Executive Director

In this report we give an objective assessment of the Institute's performance during the year under review and the general picture is very encouraging in that the overall performance of BIDPA in policy analysis and research services continues to grow. More importantly, not only has the volume of output increased, but the quality of its overall output has substantially improved. The number of books and policy briefs published bears testimony to this. For the first time this year BIDPA had a book publication, and not only one, but three were published with the fourth going to print at the end of the year. As if that was not enough, eight policy briefs were produced. Furthermore, the Institute has maintained its standard of producing at least three research outputs which will feed into government policy formulation. This work is a major source of pride for BIDPA. The year saw BIDPA's work contributing to the new ALDEP policy, the government decision on the Maun abattoir and government policy on social safety nets. We believe that we are entitled to claim that we have, once more, satisfied our mandate of providing policy advice this year.

What is more gratifying is that the above was achieved with a relatively low number of research staff, particularly at senior level. Both the departure of senior researchers, who were difficult to replace due to tightening labour market conditions, as well as the departure of middle-level researchers for their PhD studies, weakened BIDPA's research capability. Extra effort and dedication from staff helped see the day through with increase quality and quantity of research output.

A significant development during the year was the initiation of the first formal long-term strategic plan of the Institute. What was significant was that the process led to the identification of strategic leverage areas (SLAs), which allowed the Institute to rediscover itself by identifying its weaknesses and strengths. There is absolutely no doubt that the consolidation of strengths and the addressing of weaknesses will greatly assist in producing even better results in the future.

The Institute continues to face the challenge of balancing demand-driven with supply-driven research. The friction



between these two types of research derives from the fact that BIDPA is expected to achieve financial self-sufficiency through demand driven research, which by its nature is income generating. The Institute is expected to provide independent policy advice, which normally comes by way of supply-driven research. However, supply-driven research spends income generated elsewhere instead of generating it. Therefore more demand-driven research means more financial self-sufficiency but less policy advice, as your terms of reference are drawn by the client. On the other hand more supply-driven research means less financial

independence but more independent policy advice. In its innovative way BIDPA broke this stalemate by coming up with a African Development Bank-sponsored project that enabled the Institute to draw its own research terms of reference while at the same time generating income. This project sought to assist the government to review the Vision 2016 and HIV policy interventions programme, and the non-formal sector with a budget of about P2.5 million. The significance of this success is that it has shown that the demand- and supply-driven divide is only artificial in that it is possible to derive income from supply-driven projects. BIDPA is now set to use this as its strategy for financial self-sufficiency, which calls for enhanced skills in proposal preparation.

It was a good year for BIDPA, one that, as the theme of this annual report suggests, saw us fulfilling our commitment through a number of successful projects and policy reviews by government. Our actions in the coming year will build upon these successes and will include new challenges and opportunities.

I am grateful for the continued support by the Board of Trustees by entrusting me with the day-to-day stewardship of the Institute for the next three years. I take this opportunity to thank BIDPA staff for their continued support and enthusiasm in facing the challenges that bedevil the economy in general and BIDPA in particular.

N.H. FIDZANI
Executive Director



Statistical Snapshot & Financial Highlights

Research Programme in 2006/07

| | Completed | On-going | Total |
|--------------------------------------|-----------|----------|-----------|
| Incomes, Welfare & Poverty | 10 | | 10 |
| Macroeconomic Forecasting & Planning | 3 | 1 | 4 |
| Microeconomics | 10 | 5 | 15 |
| Public Sector Reforms | 6 | 2 | 8 |
| International Trade & Finance | 8 | 0 | 8 |
| Total | 37 | 8 | 45 |

Financial Highlights

| | | 2006/2007 Actual | 2005/2006 Actual |
|--------------------|-------------------|---------------------|---------------------|
| Income | Government Grant | 8,411,901 | 8,131,499 |
| | ACBF Grant | 690,584 | 1,379,477 |
| | Project Income | 4,188,981 | 3,997,550 |
| | Other Income | 597,213 | 678,243 |
| Expenditure | Staff Costs | 9,886,935 | 9,271,240 |
| | Operational Costs | 2,455,057 | 2,314,842 |
| | Capital Costs | 75,226 | 544,226 |
| | General Expenses | 2,211,790 | 1,677,128 |

Board of Trustees



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Chairman



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Board Secretary



Mr M.D Modise
Board Member



Ms L Mohohlo
Deputy Chairperson



Prof B.K Otlhogile
Board Member

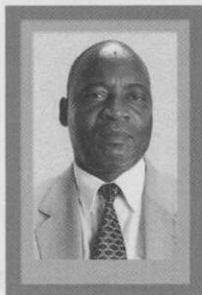


Ms M.G Machailo-Ellis
Board Member



Dr T Nyamadzabo
Board Member

Management Committee



Dr N.H Fidzani
Executive Director



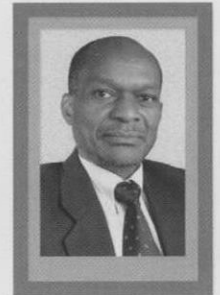
Mr L Isaacs
IT Manager



Ms B.N Siwawa
Finance Administrator



Prof T.J Agiobenebo
Senior Research Fellow



Prof J.M Kaunda
Senior Research Fellow



Dr J Sentsho
Senior Research Fellow



Mr K.P. Maroba
Programme Coordinator



Mrs A.A Lebele
Chief Librarian



Dr T.B Seleka
Senior Research Fellow



Corporate Profile

Mandate

The Botswana Institute for Development Policy Analysis (BIDPA) is an independent trust set up by a Presidential Decree. It started operations in 1995 as a non-government policy research institution. BIDPA focuses mainly on Policy Analysis and Capacity Building in policy analysis. The Institute's mandate remains defined by the five components of Institutional Capacity Building; Economic Research and Policy Analysis; Professional Training; Networking and Public Education; and Dissemination and Publication. Be that as it may, the focus of the 2006/2007 work programme was informed by the Institute's mandate as defined in the deed of trust that formed the BIDPA.

The Deed of Trust sets out the objectives to be pursued and the functions to be performed during the life of the Institute.

Mission & Values

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Objectives

- ☐ To promote and conduct research, analysis and publication on development policy issues of relevance to Botswana and the Southern African region.
- ☐ To monitor the performance of the Botswana economy and the management of public policy implementation, especially with regard to the implications for economic and social development.
- ☐ To offer advice and consultancy services to agencies of Government and other clients under suitable contractual and other arrangements.
- ☐ To provide technical and financial assistance, directly or indirectly, to individuals and organisations in Botswana as deemed desirable for purposes of facilitating policy analysis.
- ☐ To assist professional training and public education of Botswana citizens in matters relating to policy analysis, and encourage collaboration between expatriates and local professionals in these matters in ways that build or augment national capacities for performance and understanding of policy analysis.
- ☐ To employ staff members who will themselves, or jointly with other organizations or qualified people, carry out research, consultancy, training and education projects, including arrangement and management of contractual relationships designed to facilitate such activities by persons affiliated with the Institute.
- ☐ To present or publish, as the case may be, the outcome of its policy analysis, orally or in writing, to individuals, organizations or the general public at large.
- ☐ To mobilize and administer funds to be used for achievement of the objectives and performance of the functions of the Institute.

Corporate Governance

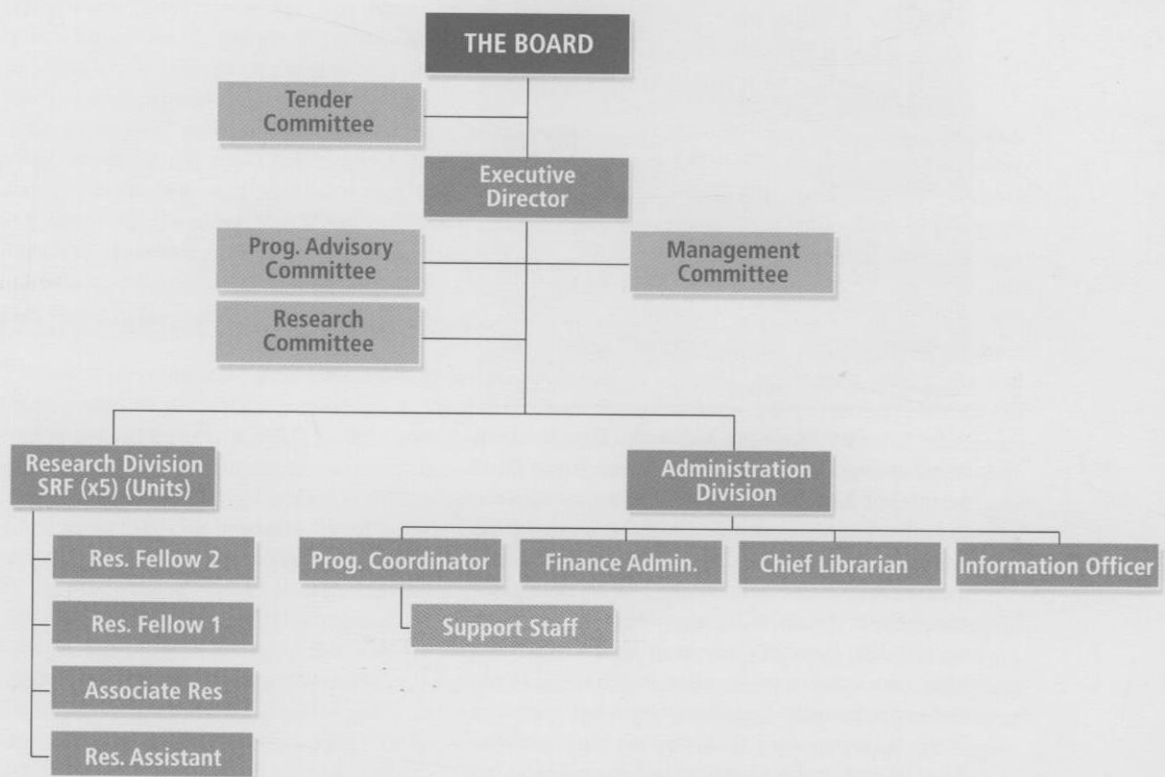
Board of Governors

The Board of Trustees, constituted in terms of the Deed of Trust of 1995, is responsible for the policy direction that the Institute takes from time to time. The Board is vested with the authority and responsibility to exercise control over all the activities conducted by the Institute. The Board consists of institutional representatives from the Government of Botswana (Office of the President; Ministry of Finance and Development Planning), University of Botswana, Bank of Botswana, Botswana Confederation of Commerce, Industry and Manpower (BOCCIM) and civil society representatives. The Executive Director is an ex-officio member of and Secretary to the Board.

Management Committee

The BIDPA Management Committee comprises the Executive Director, the Programme Coordinator, the Chief Librarian, the Finance Administrator, the IT Manager and all Senior Research Fellows and one representative of the other researchers. The Executive Director (ED) is appointed by the Board. The ED has everyday management responsibility for all the activities of the Institute, and is assisted by the Programme Coordinator (PC), who is the head of administration at the Institute. The other managers are responsible for Information and Technology, Finance, and the Library.

Organogram





Corporate Governance (Cont'd)

Infrastructure and Technology

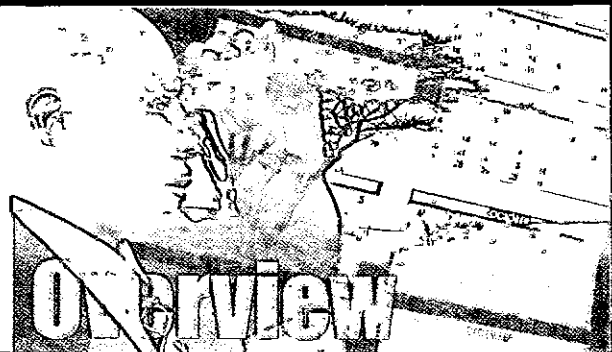
BIDPA has a sound infrastructure, housed in BIDPA House at Kgale View, Plot 134, Gaborone International Finance Park. The modern and fully computerised environment includes two seminar rooms and an automated research library that provides access to internet and a range of specialised electronic data bases.

Through its library and information technology resources, BIDPA has been able to extend its information services to a wider audience. The library collection emphasises the subjects in the table below:

| Subject area | Shelf Location |
|--------------------------------|-----------------|
| Agricultural Economics | 338.1 |
| Development Economics | 338.9 |
| Financial Economics | 332 - 332.9 |
| Gender | 305.3 - 305.4 |
| Globalization | 337 |
| Governance and civil society | 320 |
| HIV/AIDS | 614.5993 |
| Income Distribution | 339.2 - 339.4 |
| Policy making | 320.6 |
| Poverty | 362.5 |
| Private Sector/Privatization | 338.925 |
| Public Administration | 350 - 354.9 |
| Research & Statistical Methods | 001.4 - 001.433 |

BIDPA library hosts the Botswana Development Information Centre (BDIC) which is a World Bank partnership initiative with local development agencies to facilitate development information and resources sharing. Partners involved in the negotiations include, SADC, NACA, BONASO, UNDP (Botswana) and BIDPA. The BDIC aims to ease information accessibility through a one stop centre which will offer development information in print, electronic and online formats. The library therefore serves as World Bank repository for both print and electronic. The BIDPA website on <http://www.bidpa.bw> continues to be an important reference site for both students and researchers locally and internationally.





The Year in Review

Overview

The mandate of the Botswana Institute of Development Policy Analysis (BIDPA) is defined by the five project components – institutional capacity building, economic research and policy analysis, professional training through fellowships and in-service training, networking and public education and dissemination and publication.

In tandem with this mandate, BIDPA annually produces major publications designed for general audiences such as the BIDPA Briefing, the BIDPA newsletter, BIDPA policy briefs and research reports. These publications presented issues on a wide array of research and policy topics. The reports and briefs were accordingly used in diverse ways by policymakers, researchers and the general public. As was the case in preceding years, in 2006-07 BIDPA's commitment was to contribute to quality policy review. That commitment was made not just to the Botswana Government but also to other stakeholders in the country and to all citizens of the Southern African region because we believe that a good policy review system creates countless social, economic, and civic benefits for all. This year we took fresh steps and continued to fulfill that commitment by our work in three areas of our mandate – research, policy analysis and capacity building.

Institutional Capacity Building

This mandate component is understood to include procurement of adequate accommodation, capital equipment, computers, furniture, office machines and vehicles. The human resources dimension and the staffing position of the Institute constituted the other aspect of this mandate. In this regard, a programme on the development of the capacity of BIDPA staff was put in place towards the end of the 2005/06 financial year. The programme therefore became the major activity of the 2006/07 work programme. Under this programme, the capacity of BIDPA junior researchers to analyse policy, develop proposals and to research on policy issues was enhanced. The number of staff undergoing PhD training has increased from four to five – two in

Australia, two in the United Kingdom and one in South Africa. One staff member is doing a Masters' degree at the University of Botswana.

Additionally, BIDPA continued to work with a host of citizen researchers, especially from the University of Botswana in information gathering and analysis. This was however limited to projects research work. The Institute is developing a strategy to build collaborative and strategic partnerships with research organisations within Botswana, including small individual researchers and other institutions inside as well as those outside Botswana. This will assist in determining the extent to which BIDPA can develop the capacity of these researchers to conduct research and analyse policy. Much has been achieved through the Botswana Trade and Poverty Programme (BTTP) and Formative Process Research on Integration in Southern Africa (FOPRISA) work and it will be carried over to the 2007/08 financial year.

Economic Research & Policy Analysis

BIDPA understands that applied research and policy analysis form a major component of the mandate relating to policy analysis and independent advice to government and non-state actors. In this regard, final outputs of research and consultancy services informed public policy reforms by key economic ministries, namely the Ministry of Finance and Development Planning, the Ministry of Agriculture, the Ministry of Trade and Industry, the Ministry of Environment, Wildlife and Tourism, the Ministry of Lands and Housing, the Ministry of Mineral, Energy and Water Affairs and other government agencies, the private sector and civil society in mapping their roles and functions in the economic developmental process.

In this regard, policy analysis and research took two forms that have major implication for a work programme. These are the "demand driven" and "supply driven" research types. What became clear was that not much was done in the area of supply-driven research. While BIDPA will give the supply driven research more prominence in the coming



The Year in Review *(Cont'd)*

years, the Institute will carefully balance the two research aspects. Notwithstanding the foregoing, under this area project activities covered the five research areas of incomes, welfare and poverty; macroeconomic planning and forecasting; structural change (Microeconomics); international economics; and public sector reforms. It is pleasing to note that 35 projects were completed and closed while about eight were in progress as at the end of March 2007. This is certainly a measure of success, especially considering the fact that BIDPA get called on to participate in other forums. It is intended to build on these achievements in the coming year.

Professional Training through Fellowship & In-service Training

This component of the BIDPA mandate is understood to mean pursuing a strategy to "produce Batswana who are capable of leading and performing economic development policy analysis, design, implementation monitoring and assessment at high levels". It is also understood to mean training of citizens within BIDPA, who can then train other Batswana, and by directly training non-BIDPA policy analysts. The former entails training BIDPA employees through MA and PhD training, as well as short professional training offered outside BIDPA.

In-house short courses, together with a well structured mentoring programme, will go a long way to meeting this objective. Attachment to outside organisations will also be used for capacity building of BIDPA employees.

While it is planned to target this component of the BIDPA mandate, the number of workshops, seminars and conferences attended and addressed by BIDPA staff is a clear testimony that achievements were made. The strategic plan that is currently being developed will assist to sharpen BIDPA's targets in the coming years, especially to target non-BIDPA policy analysts. The PhD training will form a major activity for this mandate, including the training of more BIDPA staff at both Masters and PhD degree levels. Attachments, sabbaticals and fellowships to BIDPA will also be utilised for this purpose from 2007/2008 financial year.

Networking & Public Education

Institutional networking seeks to promote linkages or relationships with government agencies, as well as academic and selected external institutions. The networking process should entail collaborative efforts in information gathering, analysis and decision making, as well as policy implementation. Provided adequate funding is made available, BIDPA is expected to co-ordinate the activities of other agencies involved in economic policy analysis and capacity building. Such co-ordination would provide a link between the public and private sectors, academic institutions and the government, for both political activities and policy formation.

During the year, BIDPA collaborated with researchers from both the University of Botswana and the private sector in some important projects that will, in the near future, have an impact on policy reviews as evidenced by the subsidies programme review and livestock industry study. Through both FOPRISA and BTTP as well as SEAPRN, BIDPA continued to network with research institutes in the SADC region and national researchers. This will be enhanced in the coming year as it is one of the strategic leverage areas identified for development in the next five years.

Dissemination & Publications

This mandate requires BIDPA to facilitate public discussions on development policy issues. Means by which BIDPA can achieve this objective are conferences and workshops, publications, production and distribution of working papers, library and website, and newsletters. A number of workshops were held during the year and research and consultancy work done for government and at a regional level under the FOPRISA activities.

It is clear from the number of workshops conducted and publications produced that BIDPA has made achievements in this area. Nine policy briefs, one BIDPA working paper, one BIDPA newsletter and three workshop reports were published. It is planned to continue from here in the coming years as more policy briefs are being developed from research outputs.



Research and Policy Analysis

Research and policy analysis project activities covered the five research areas of incomes, welfare and poverty; macroeconomic planning and forecasting; structural change (microeconomics); international economics; and public sector reforms.

This review covers project activities covered under each research area. In all cases some measure of balance between the demand- and supply-driven research types was achieved, even though more resources were channelled to demand-driven research, as this was the area where financial self sustainability could be met, while recognising the difficulty BIDPA will meet to achieve self sufficiency in the foreseeable future. It was for this reason that a researchers' retreat was organised to share views on how this objective could be met. This researchers' retreat agreed to develop a careful strategy for funded research, which, while it started taking shape in 2004, will be more focused in the coming years.

Incomes, Welfare and Poverty

It is pleasing to note that while three project activities were planned for the year, nine were implemented. The major ones were the Botswana Trade and Poverty Programme (BTTP); the Review of the Incomes Policy project, which has since been completed; and the Review of the Scarcity Allowance project, also in implementation. Two of the project activities involved research on HIV/AIDS-related issues and the other two were on poverty issues. It is planned that poverty and HIV-related issues will continue to inform policy reforms for the foreseeable future.

COMPLETED PROJECTS

1) Cost Benefit Analysis Study of Subsidy Schemes: BIDPA was requested by the Ministry of Agriculture to assist with the analysis of subsidy schemes. BIDPA did not charge for this work which has since been completed and finalised. The objective of the study was to undertake an assessment of the costs and benefits of the four subsidy schemes, with a view to establishing the net benefit to society. It aimed at "aggregating the gains and losses to society as a whole arising from the implementation of the four subsidy schemes" by analysing the socio-economic impact of the

schemes on the welfare of the target group; analysing the impact of each subsidy schemes on the general agricultural production in Botswana; determining the impact of the subsidy schemes on agricultural investment on the target group of farmers; deriving policy implications for commercialisation and sustainable development of agriculture; and undertaking a cost-benefit analysis of the schemes. It was on the basis of this work that the current ALSEP was formulated. A clear testimony to BIDPA's policy formulation in Botswana.

2) Land Reform Processes in Southern Africa:

This NORAD-sponsored initiative was co-ordinated from Zimbabwe and BIDPA was invited to participate in drafting a proposal that might raise resource of the FOPRISA funds magnitude. BIDPA's paper was submitted in July 2006.

3) Comparative Poverty Reduction Strategies in East and Southern Africa:

This project was allocated to BIDPA under the SEAPRN programme. In this project BIDPA collaborated with other research institutes in the Southern African region under the Southern and Eastern African Poverty Research Network (SEAPRN) programme.

4) The Feasibility of Mandatory Fortification of Cereals in Botswana:

This project was funded by USAID. The aim of this study was to explore the implications of mandatory fortification of cereals on the food industry and to consider the incorporation of fortified foods in national nutrition programmes in the country. This study was a collaborative undertaking between BIDPA and the University of Botswana (Office of Research and Development). The report was completed in March 2006 and presented at a stakeholder seminar in May 2006.

5) Rural Banking and Poverty Alleviation in Botswana:

The overall objective of this study was to explore the possible impact that access to financial services can have on poverty alleviation in sub-Saharan Africa. The study focuses on Botswana, Namibia, Kenya and Tanzania.

6) Review Of Social Safety Nets In Botswana:

The Institute was contracted by the Ministry of Finance and Development Planning to review social



Research and Policy Analysis (Cont'd)

safety nets. The study reviewed all existing social safety schemes in Botswana. BIDPA researchers collaborated with those from the University of Botswana and the private sector. The final report was submitted to the client. BIDPA is grateful to the MFDP for having permitted it to publish this report as a book.

7) Review of Existing Welfare Monitoring & Evaluation System: BIDPA was engaged by UNDP to review existing welfare monitoring and evaluation systems in Botswana, to identify key impact and outcome indicators currently in use, to evaluate their strengths and weaknesses and to assess available data, their sources and quality. The project was completed in January 2007 and the report submitted to the client. The Poverty Unit of RDCD within the MFDP undertook systematic and deliberate sequential actions towards instituting and strengthening welfare monitoring and evaluation systems. The objectives were to describe the existing welfare monitoring and evaluation systems and develop an outcome performance matrix for selected sector ministries and agencies; to catalogue and evaluate existing impact and outcome welfare indicators, data sources and quality, and data analyses and reporting practices; and to document recent impact studies and lessons learned for improving evaluation and feedback process to policymakers.

8) Designing Africa's Poverty Strategies: Exporting Local Capacity to Stimulate Policy Options: This project involved the building of a macroeconomic model and linking it to the existing micro-simulation model.

9) SEAPREN Comparative Poverty Analysis Research, Poverty Analysis and Poverty Trends: The components on evolution of poverty reduction strategies; country-specific annotated bibliography on poverty studies and poverty profile have been completed and the progress report was presented at a researchers' workshop in Dar-es-salaam, Tanzania in October 2006. The final phase of stakeholder views on poverty reduction strategy will be completed before the end of 2007. The study will culminate in a book with country reports forming a book chapter.

Macro-economic Forecasting & Planning

The programme on macroeconomic forecasting and planning covered planning and budgeting issues, as well as growth and diversification activities. Under this research area four project activities were conducted. It is clear that there has been little demand for macroeconomic planning projects. Projects under this programme, ongoing and completed, include the following:

COMPLETED PROJECTS

1) Building African Capacity for Policy Simulation: Towards Better Poverty Strategies Phase II: While the objective for Microsimulation Phase 1 project was to develop a micromodel to simulate changes in taxes (VAT) and in old-age pension schemes in order to obtain their impact on poverty and welfare at household level, the objective of Phase II is to provide training and support to participating countries to help them build a macroeconomic model which will be linked to their already built microsimulation models. BIDPA is participating in this process and the work is sponsored by WIDER.

2) Support to the SADC Land and Agrarian Reform Initiative: Engaging a broader spectrum of stakeholders to influence land and agrarian reform strategies in selected countries of the region is one key strategy that is expected to minimise future conflicts around land. This was done to "influence land and agrarian reforms in the SADC region in order to address the colonial imbalances currently existing in land ownership; to review customary laws governing land ownership and distribution and to improve access to the landless; to advocate for pro-poor land policies with a trust towards poverty reduction; to facilitate the establishment of institutional frameworks that are supportive of people-centred land and agrarian reforms (credit facilities, extension services, infrastructure development); to up-scaling and the replication throughout the region of best practices and approaches employed land reforms.



ON-GOING PROJECTS

Open Budget Initiative 2008: Administration of the 'Open Budget Questionnaire' which aims to create a civil society agenda to demand changes in national budget processes. It seeks to evaluate the extent to which participating countries' governments provide sufficient budgetary information and access to citizens and civil society organisations to participate effectively in the budget process, and to investigate the availability, accuracy, timeliness, comprehensiveness and usefulness of information on.

Structural Change

During the year under review projects under this area covered a wide spectrum of project activities compared to previous years with 15 projects carried out.

COMPLETED PROJECTS

1) Maun BMC Abattoir Viability Study: The Institute was contracted by the Ministry of Agriculture to, among other things, conduct a cost benefit analysis of the Maun Abattoir, outline the socio-economic impact of the abattoir on the community looking at the effects of closure and possible subsequent opening or permanent closure, as well as determine the additional value the abattoir can make on the total picture of the Botswana Meat Commission looking at the throughput at other abattoirs. The project has been completed and the final report submitted. The government's decision on the future of this abattoir was based on this report.

2) Study on the Viability and Long-term Development Strategy for the Livestock Sub-sector in Botswana: BIDPA was contracted by the Ministry of Finance and Development Planning to investigate all major factors affecting the sub-sector and its long-term viability, and to draft a development strategy for improving the situation. The study will also assess whether or not the subsidies that have been extended to the sub-sector in recent years have been more than compensated by benefits. Seven BIDPA researchers are involved in one way or the other. Three external consultants are also taking part. The final draft of the report has been submitted to the client.

3) SMME Competitiveness Project: The study assessed the competitiveness of SMMEs in Botswana in both the domestic and foreign markets. The project was a result of a collaborative work between BIDPA and CEDA. The project has been completed and the final draft report has been sent to a reviewer with a view to publishing as a book.

4) Adjudication on Consultancy Proposals for Local Enterprise Authority: BIDPA was requested by LEA to adjudicate tender submissions for a job that they had asked for submissions of tenders for. LEA needed a consultant to make recommendations on an appropriate organisational structure, inclusive of objective remuneration packages in order to make LEA competitive and to develop LEA's staff, as well as guidance with respect to an appropriate branch network for LEA in place of the Integrated Field Services (IFS) whose functions are to be hived off to LEA.

5) Economic Study for Environmental Impact Assessment for Mmamabula Power Plant: To understand the economic development strategies, plans and objectives of local and regional areas and Botswana as a whole and how the project would feed into these. This would ensure that any social development goals and projects, identified as both mitigation and optimisation measures, would fit into national socio-economic agenda and thereby increasing the sustainability of such projects beyond the life of the plant. Such an approach is in keeping with current international trends for corporate social responsibility and long-term planning. BIDPA researched certain aspects of Botswana and the local economy; organised and scheduled interviews and meetings; organised and undertook business surveys; and organised and carried out surveys with training and development organisations.

6) Foreign Direct Investment in Tourism: The Development Dimension: To examine trends and impacts of foreign direct investment (FDI) in tourism in Botswana. It entailed a description of trends in FDI in tourism including modes, determinants and strategies. Description and assessment of the role of tourism FDI, including its impact in terms of attracting tourists; creating employment (including gender effects); skills transfer; procurement;



Research and Policy Analysis (Cont'd)

household incomes and savings. Assess the extent to which the impact on the domestic economy varies according to the nature of the tourism (eco-tourism compared to business travel); the mode of investment (management vis-à-vis ownership); and the travel of development of the host country. Describe the role of foreign tour operators, including a decomposition of the stream of payments made by tourists through tour operators and how this affects impact. The final report of this work was submitted to UNCTAD and two papers were presented to the AERC conference in Nairobi and the EU-sponsored PROFIT conference in Kampala.

7) A Baseline Study on Employment and Medals Won by Sports Establishments in Botswana: BIDPA was commissioned by BNSC to conduct a baseline study on employment and medals won in sport-related establishments. The aim of the study was to establish the number of employed in sport or sport-related establishments and the number of medals won by Botswana teams and individual athletes at official regional, continental and world competitions in 2005. Employment would be done by conducting a study on the number of people currently employed by sport or sport-related establishments in Botswana; categorising the people by gender, role (eg player, official, coach, cleaner, etc), geographical placement, period of service (contract *vs* permanent and pensionable) etc; medals won would be done by conducting a study on the number of medals won by Botswana teams and individual athletes at official international competitions in 2005. Categorising the medals into gold, silver and bronze; regional, continental and world; the discipline in which the medal was won, the event; and whether the medal was won by a team or an individual athlete. The final report was submitted to the client.

8) Botswana Power Corporation – Macroeconomic Situational Analysis Corporation: Draft report presented. A draft report has been completed and submitted to the Botswana Power Corporation (BPC).

9) Harnessing the Informal Sector as a Growth Pole and Economic Diversification: Using ACBF funds, BIDPA funded a total of four empirical studies, three of which were undertaken

by the Economics Department, University of Botswana and one by the Institute on the Informal Sector. These studies culminated in a National Seminar on the Informal Sector. The expenses for the workshop were covered by Fredrick Ebert Foundation.

ON-GOING PROJECTS

1) Study on Splitting the Award of Tenders for Government Projects: This was done in the interest of achieving government's objective of diversifying the economy and ensuring equitable distribution of income in line with one of the pillars of Vision 2016, of a prosperous, productive and innovative nation, there may be the need to split tenders for government projects. Such splitting of tenders might entail sharing of work by engaging local contractors/suppliers in a particular locality to provide the services required depending on the agreed operational guidelines and regulations. This is also in line with exploring the possibility of splitting the award of tenders in order to spread government business amongst citizen companies with the hope of enhancing citizen economic empowerment.

2) Baseline Data and Sector Validation Study: BIDPA was contracted by Local Enterprise Authority to conduct this study. The project involved the creation of a database of Small, Medium and Large enterprises of Botswana as well as Sector mapping and validation. The study created a comprehensive database of Small, Medium and Large Enterprises in different economic activities or sectors across the country to avail information about SMLEs that would help government achieve its vision of employment creation and diversification of the economy. The project data collection and analysis was continuing.

3) The Technical Assistance Fund For Middle Income Countries: Plans are now being put in place to commence work. The project activities will focus on fast-tracking the implementation of Vision 2016: An evaluative study of Vision 2016 focusing on the progress made and challenges in its implementation, HIV/AIDS pandemic in a spatial context, challenges, potentials and prospects of the informal sector, capacity-building short courses and internships: The proposal has been approved and signing between ADB and government is underway.



4) Economic Commission for Africa – Africa Gender in Development Index: The Economic Commission for Africa (ECA) has developed the African Gender and Development Index (AGDI), which was endorsed by ministers and experts during the seventh African Regional Conference on Women held in Addis Ababa in October 2004. The development of the AGDI was intended to address the lack of adequate indicators for measuring gender inequality and progress achieved with regard to the advancement of women. The index has been piloted in the 12 countries that have finalised their national reports. In each pilot country, a research institution was selected to test the AGDI in the field with the support of ECA. BIDPA prepared a proposal to be selected as the institution responsible for conducting the field research, undertaking the initial data analysis using local researchers and compiling the national report for Botswana.

5) Market Analysis of Glass & Glass-related Products: This study involves Geo Explo (Pty) Ltd, an engineering company which won a BEDIA consultancy to test various soil samples across the country to see if Botswana has raw material inputs to go into glass and glass-related product production. The project focuses on market analysis for glass in Botswana. It specifically carries out the viability and profitability of float and container glass manufactured in Botswana to see if such a venture would be economically viable. This indicates that Botswana has an opportunity to go into the production of container and flat glass products. As a result, the study of market analysis for these glass products has commenced and will continue from mid-January for forty days.

International Trade

Activities under this research area revolved around the Southern Africa Trade Research Network (SATRN) and the Botswana Trade and Poverty Programme (BTPP), both of which cover research and capacity building activities in the SADC region and within Botswana.

COMPLETED PROJECTS

1) A National Trade Policy Document for

Botswana: Zero Draft: This is a national study which is meant to produce a draft trade policy document that will be used as a major input into the formulation of a National Trade Policy White Paper. The final draft has been approved by the reference team. Stakeholder consultation was completed and a national stakeholder consultation workshop held on 12 October 2006. The project has since been finalised and submitted to the client – the Department of International Trade, the Ministry of Trade and Industry and the Botswana Trade and Poverty Programme.

2) Botswana's Trade Agenda: This project involved writing a concept paper on a proposed trade agenda for Botswana, the organisation of a workshop to source input from stakeholders and finally to write a report which includes the trade agenda for Botswana. The project took two months – October and November 2006. The project has been completed and submitted.

3) Botswana Trade Data Diagnosis Study: This project aims to do an in-depth analysis of Botswana trade data in order to identify gaps and thus find ways and means of improving on the quality of economic data in Botswana. This project is ongoing, mainly because the unit was overstretched last year and was not able to give it the maximum attention it deserves.

4) Exploratory Study on Creation of Trade Database: The project focused on preliminary analysis of Botswana trade data to identify the gaps that need to be filled to improve on the trade data in Botswana.

5) Study on SACU/India Trade Negotiations: This was to develop strategies and position papers on a number of trade issues under negotiation. This would be done by highlighting key issues that are seen as trade barriers in the countries that Botswana is negotiating free-trade agreements with. It would further assist the country to determine the level of commitment to be sought in the Free Trade Area negotiations. There were several on-going trade negotiations, such as WTO Doha Development Round, SACU/USA, SACU/EFTA and SADC/EU



Research and Policy Analysis (Cont'd)

Economic Partnership Agreement. The negotiations cover various trade issues including: agricultural goods; industrial products; trade facilitation; trade and environment; development issues; implementation issues etc, but this one was focused on SACU/India negotiations.

6) Support to Department of International Trade (Unfair Trade Practices): They had to produce a paper which would briefly outline the process of globalisation as driven by trade liberalisation in relation to the Southern African Customs Union (SACU), the Southern African Development Community (SADC), the Trade and Development Co-operation Agreement (TDCA) and the World Trade Organisation (WTO). It had to articulate Botswana's current and future economic environment and from the potential and/or actual opportunities and challenges emerging from the environment.

7) A Countrywide Study of SADC Tariff and Non-Tariff Barriers: This is a FOPRISA project which aims to review SADC progress in the implementation of the SADC Trade Protocol in relation to the extent individual SADC countries are complying with their tariff and non-tariff barriers liberalisation schedules and whether they will be able to meet their 85 percent tariff liberalisation target for 2008 and customs union target by 2010. The study started in July and was expected to end by end of September. Unfortunately, the study encountered data problems at SADC. First, SADC officials are very hard to meet because of their tight schedules. Second, even in times when we actually met them, they did not have the data. Because of this, the study went on until the presentation at Maputo where the results only covered SACU/SADC countries and one non-SACU/SADC country where data had been found. The study is a collaborative effort between BIDPA and Chancellor Michelson Institute in Norway. Efforts to source data from World Trade Organisation and World Bank websites have so far been unsuccessful due to computer technical problems. We are now awaiting SADC efforts to provide member country data, failing which, the study will be presented with the limited coverage that has so far been done.

8) Unfair Trade Practices in the SADC region:

This project also emanated from the Trade Policy and was scheduled over the same period as the trade agenda project. It involved writing a concept paper on unfair trade practices in the region, organising a workshop to source for inputs from stakeholders and writing a report that incorporated the input of the presenter from UNCTAD and that from stakeholders. The project has been completed and submitted to the client.

Public Sector Reforms

Prudent national public management of finance and the planning system has been the backbone of Botswana's economic development success. Therefore, to maintain that progress and to adapt the system to new challenges, it was necessary to continuously review public sector structures and processes, with a view to informing policies to reform the systems. The public sector reforms programme aimed at improving the understanding of the origins and impacts of policies, including improvement of the efficiency of government implementation of development policies and programmes.

COMPLETED PROJECTS

1) Governance Profile of the Republic of Botswana: BIDPA was contracted to research and report on public sector and private sector organisational performance in Botswana. The project involved gathering of information, assessing and analysing the information and to report on public sector and private sector governance, including country procurement systems, legal and judicial systems and country economic indicators. To provide a qualitative, extensive and detailed assessment that helps identify the main constraints in governance-related areas in the broad sense. The governance profile is a programming tool to help identify specific areas of co-operation (weaknesses) and agreeing on benchmarks and targets for reform (government commitments) or on sectoral performance indicators, if governance is a focal area. It will help to assess the extent to which commitments undertaken by partner countries are relevant, ambitious enough and credible for the 'incentive tranche'.



2) Africa Capacity Building – Botswana Case Study (Effective States and Engaged Societies): Capacity development for growth, service delivery, empowerment, and security in Africa): was undertaken by BIDPA for The World Bank.

3) Open Budget Initiative 2006: Review of country report – preparation for the release of the Open Budget Questionnaire results on 18 October 2006 is now completed and work is in progress.

4) Youth Unemployment Challenges in Southern Africa: The Institute was awarded a consultancy to carry out a study on Youth Employment Challenges in Southern Africa – Policy Response and Programme for the Department of Culture and Youth. Policy Responses and Programmes Targeting Young Women and Men at National Level were undertaken. Data set on university graduate's unemployment from CSO was used.

5) Country Governance Profile for Botswana: BIDPA was contracted by the African Development Bank to research and report on public sector and private sector organisational performance in Botswana. The project involved gathering of information, assessing and analysing the information and to report on public sector and private sector governance, including country procurement systems, legal and judicial systems and country economic indicators.

6) Governance and Anti-Corruption Dialogue: BIDPA hosted dialogue on behalf of The World Bank whose aim was to consult with representatives from governments, donor agencies, civil society, parliaments, private sector, academia and other stakeholders, and sought feedback on the new approach laid out in the Development Committee paper and work plan, eliciting ideas, best practices and lessons learned. The consultations were placing particular focus on eliciting feedback on a set of guiding questions related to the issues that were raised by the Development Committee at its September 18 communiqué, as well as on country-specific issues and challenges in governance and anti-corruption work. The Development Committee

paper and work plan served as the main background documents for the consultations, in addition to other relevant documents for the country-level discussions.

ON-GOING PROJECTS

1) African Governance Report II: This is a project to review the Governance Study – African Governance Report I (2005) and to conduct an African Governance Study II for Botswana. The overall objective of the project is to monitor the progress of African states towards good governance. In order to accomplish this, it has become necessary to (i) define good governance in a comprehensive manner (such as, for example, the inclusion of state and non-state role players within the spatial parameters of good governance), (ii) conceptualise and operationalise indicators to measure good governance and (iii) devise and fine tune the research methodology and instruments that will serve as the mechanism for monitoring and assessing progress towards good governance.

2) Governance and Anti-Corruption Dialogue: This is a project in which BIDPA had been asked by The World Bank to organise a national governance and anti-corruption dialogue. The dialogue involved a consultation and discussion meeting of representatives of The World Bank, partners and stakeholders, that is, representatives of the Government of Botswana, parastatals, public oversight agencies; the private sector; non-state organisations; and an international development co-operating partner. The dialogue was held on 16 January 2007 and was very successful and a summary of the proceedings has since been distributed to the various stakeholders that attended. The project was non-chargeable.



Special Projects

FOPRISA

The Formative Process Research on Integration in Southern Africa (FOPRISA) is a four-year collaborative project, involving BIDPA, eight policy research institutes and universities within the SADC region, and the Chancellor Michelsen Institute of Norway. FOPRISA has the following broad objectives: to contribute to sound policies for the region's development by assisting SADC in implementing its priority policies and measures of which poverty reduction is an overriding concern; to build a strong regional policy research network with research activities aimed at improving the understanding of integration policy issues; and enhancing research skills and analytical capacities in participating research institutes, as well as in the SADC structures. The assessment of the proposal and a decision on the project's funding are pending.

The FOPRISA programme is a collaborative research project which aims to support the work of the SADC Secretariat on its regional integration effort. BIDPA is the secretariat of FOPRISA with Professor Jonathan Mayuyuka Kaunda the FOPRISA co-ordinator. This ongoing programme commenced its second year of operations on 1 May 2006. Two FOPRISA books were published during 2006; two on-demand policy papers were completed for the SADC Secretariat; and 14 research papers were presented at the annual conference in November 2006. These papers are being edited and will be published in the first quarter of 2007.

The First Annual Conference of the Formative Process Research on Integration in Southern Africa (FOPRISA) was held in Maputo, Mozambique from 28-29 November 2006. FOPRISA, the steering committee on this project, has met to review project studies for different themes. So far only two of the five themes have started in earnest. The remaining studies commenced in January and BIDPA will participate in the Trade Policy theme.

Technical Assistance Programme (TAP)

Under this project, the Institute continued to administer government funds used for the

recruitment of consultants for government. Three economic advisors were recruited for government during the year under review for the Ministries of Trade and Industry, Finance and Development Planning, Minerals, Energy and Water Affairs and Ministry of Transport and Communications.

Special assignments were also contracted under the programme for the Ministry of Finance and Development Planning to provide technical assistance for building and using computable general equilibrium models and to develop a multi-sectoral dynamic modelling platform of the Botswana economy under the supervision of BIDPA.

SEAPRN

A number of projects funded by SEAPRN were assigned to BIDPA for research. The reports were presented to SEAPRN – BIDPA focused on the following:

1) SEAPRN Comparative Poverty Analysis Research, Poverty Analysis and Poverty Trends: The components on evolution of poverty reduction strategies; country-specific annotated bibliography on poverty studies and poverty profile have been completed and the progress report was presented at a researchers' workshop in Dar-es-salaam, Tanzania in October 2006. The final phase on stakeholder views on poverty reduction strategy was completed. The study culminated in a book with country reports forming a book chapter. The final report was presented at a stakeholder conference in early 2007 in Namibia.

2) Improvement of Institutional Efficiency and Effectiveness in the Southern and Eastern Africa Policy Research Network (SEAPRN): The objectives of this project were to identify common management problems that affect the efficient functioning of all the SEAPRN institutions; areas where best management practices could be utilised within the institutions; and to suggest methods for self-evaluation as a basis for organisational learning and means of developing and/or enhancing management capacity of the institutions. The project was funded by SEAPRN and undertaken by a BIDPA senior research fellow.

3) The Rural Banking Study: The overall

objective of the study was to explore the possible impact that access to financial services could have on poverty alleviation in sub-Saharan Africa. The study focused on Botswana, Namibia, Kenya and Tanzania. The Botswana segment was undertaken by Dr Fdzani with the assistance of one research associate. The project was sponsored by

SEAPRN and was completed in February 2007.

4) SEAPRN – Efficiency and Effectiveness of Capacity Building for Policy Making: The first draft report was completed and presented at a stakeholder workshop held in Gaborone. The report was submitted to the SEAPRN Secretariat.

Capacity Building

Overview

Capacity building remains one of the major components of the BIDPA mandate. Under this mandate BIDPA was involved in the training of both its staff and other staff from universities and government organs through attachments, workshops and internships. During the year under review, a number of capacity building initiatives were carried out. It is envisaged that the capacity building mandate will remain one of the major activities for the foreseeable future.

To this extent, BIDPA continued to work with a host of citizen researchers, especially from the University of Botswana, in information gathering and analysis. While this was limited to project research work, efforts will be made to build collaborative partnerships with research organisations within Botswana, including small individual researchers and other institutions inside and outside the country. This will assist to determine the extent to which BIDPA can develop the capacity of citizen researchers to conduct research and analyse policy. The activities under this mandate covered internships and attachments of students from the University of Botswana and external scholars, conferences, workshops and seminars.

Internships and Attachments

Four students from UB were hosted for a period of three weeks. The four were studying for a Masters programme in economics at the University of Botswana. One PhD student from the University of in the United States was hosted to conduct research on her thesis covering environmental and bio-diversity related issues. She is currently in the field collecting data in some parts of Botswana under the supervision of Dr Charity K. Kerapeietswe, research fellow at BIDPA.

Conferences, Workshops, Seminars and Meetings

A number of activities were conducted covering workshops to disseminate information on project activities to a host of stakeholders.

1) Workshop on Assessment of Botswana's Services Sector: The purpose of the workshop was to discuss the draft report on Botswana's services sector study. This study identified possible options, particularly in the case of ongoing regional and multilateral services trade negotiations, to support further exports of services from Botswana. The study identified key constraints to diversify into and stimulate further trade-in services, distinguishing between supply side, regulatory and external (eg regional) constraints. Key questions were: what possible role international negotiations in the area of trade-in services would play to stimulate Botswana's trade-in services and what role trade-in services would play in development? The workshop was held at the Gaborone International Convention Centre on 11 October 2006.

2) A Workshop on Trade Agenda for Botswana: A concept paper meant to explore possibilities to fill this gap was presented to stakeholders at a workshop held at the Phakalane Golf Estate on 14 November 2006. Trudi Hartzenberg, Executive Director of TRALAC, from Cape Town, South Africa, presented a paper on "South Africa's Trade Strategy: Lessons for Botswana". It was established that even though Botswana sees trade as an engine of growth and has, as a result, chosen an export-led growth strategy, the country did not have a well documented trade policy and export strategy. It was concluded that with trade policy and export strategy completed, the most important missing ingredient for a successful export-led growth in Botswana was a well articulated trade agenda



Capacity Building *(Cont'd)*

that brings to the centre stage Botswana's trade priorities and aspirations.

3) Seminar on Unfair Trade Practices in Botswana: This seminar was meant to assist the Ministry of Trade and Industry with the development of a position on issues of unfair trade in SACU and SADC. There were three papers focusing on unfair trade practices in SADC, SACU and Botswana. The workshop was held on 15 November, 2006 at the Phakalane Golf Estate. Various speakers had been sourced with one of them coming from UNCTAD – Hassan Qaqaya, to speak on "Unfair Trade Practices in SACU". The workshop provided useful input into the final report submitted to the Ministry of Trade and Industry.

4) Governance and Anti-Corruption Dialogue: The dialogue involved a consultation and discussion meeting of representatives of The World Bank, partners and stakeholders, that is, representatives of the Government of Botswana, parastatals, public oversight agencies; the private sector; non-state organisations; and an international development co-operating partner. This was a project in which BIDPA had been asked by The World Bank to organise a national governance and anti-corruption dialogue. The dialogue was held on 16 January 2007. A summary of the proceedings was distributed to the various stakeholders who attended.

5) Economic Diversification in Botswana Conference: Dr Fidzani presented a paper on economic diversification in Botswana on the 21 September 2006 at the Grand Palm Hotel. This presentation was part of the 40th Independence celebrations. During the conference, research fellow Johnson Maiketso also presented a paper on export diversification. His paper highlighted the potential to diversify exports of services. Other related economic diversification activities were presented at other conferences by Dr Fidzani, including economic diversification in Botswana presented at the BEDIA Investors Conference in Germany Frankfurt; Free Economic Zones at the BOCCIM Francistown Business Conference; and Foreign Direct Investment in Tourism in Botswana at an UNTAD tourism workshop held in Johannesburg.

All these were part of the Economic Diversification project policy issues initiated in 2005.

6) FES/BIDPA Workshop on Deepening Integration in SADC: Macroeconomic Policies and their Impact in Botswana and Perceptions of Business and Non-State Actors – The Case of Botswana, Gaborone, 7 July 2006.

7) Dr Fidzani presented a paper on Trends and Patterns on Tourism in Botswana at the Tourism Pitso that was hosted by the Minister of Environment and Tourism.

8) Workshop on the Findings of the Mandatory Cereal Fortification Study: The objectives of the workshop were to disseminate the findings of the study on the feasibility of introducing mandatory cereal fortification in Botswana and to obtain feedback from stakeholder on way forward.

9) Seleka, TB, Implications of Trade Liberalization for the Agricultural Sector in Botswana. Presented at a Ministry of Agriculture workshop on Trade Liberalisation and Sanitary and Phyto-sanitary Measures, National Veterinary Laboratory, Gaborone, Botswana, 30 January 2007.

10) Seleka, TB, Potential Impact of Trade Agreements on Botswana's Agribusiness. Presented at Botswana Agricultural Union Workshop on SADC Trade Liberalisation: Challenges and Prospects for Botswana's Agribusiness, Southern African Global Competitive Hub, Gaborone, Botswana, December 2006.

11) Seleka, TB, Reflections of the Scale and Manifestations of Poverty in Botswana. Presented at the BOCONGO Breakfast Seminar on 2006/07 Budget: Is it Pro-poor?, Cresta Lodge, Gaborone, Botswana, 17 October 2006.

Publication

A number of publications were produced during the year. The following were some of the publications circulated to stakeholders:

Workshop Reports

- 1) Preparation of a publication on the feasibility of mandatory cereal fortification – a draft report is expected to be completed by December/January.
- 2) Publication of the ECA *Botswana Governance Report*: The ECA has authorised BIDPA to publish this report as a book.
- 3) Preparation of a publication on Social Safety Nets – A draft is expected to be completed before the end of the year.
- 4) Deepening Integration in SADC: Botswana – A Benchmark for the Region authored by Grace Tabengwa and Jay Salkin was published in October 2006. The book was funded by FEF
- 5) *Prospects For Economic Diversification* and
- 6) *The State Of Governance In Botswana* were published last month
- 7) UNECA: *The State of Governance in Botswana 2004* (African Development Forum IV and African Governance Report I) – Proof-reading the report in preparation for publication – book published.
- 8) Dr Charity Kerapeletswe and Lisend Lisenda. *Knowledge, Attitudes and Behaviour of Learners in Technical Institutions*. An edited report published by The Botswana Training Authority.
- 9) Dr Charity Kerapeletswe and Professor Agiobenebo Draft BIDPA Policy Brief on the *Findings of the Evaluation of the Social Profitability of Four Agricultural Subsidy Schemes that were Implemented in Botswana*.
- 10) Dr Charity Kerapeletswe and Professor Agiobenebo Draft BIDPA Policy Brief on the *Findings of the Agricultural Infrastructure Feasibility Study*
- 11) Dr Charity Kerapeletswe, Professor Agiobenebo and Mr David Mmopelwa *Draft Policy Brief on Maun Abattoir*. The Policy Brief summarises the findings of the Maun Abattoir Viability Study.

Policy Briefs

- 1) Dr Sentsho: *Abundant Resource Endowment: A Reason for Successful Economic Diversification*.
- 2) Dr Sentsho: *Export Diversification: Is it really necessary for Botswana?*
- 3) Victoria Ndzinga-Anderson: *Botswana's Enabling Environment for Economic Diversification: Plugging the Holes*.
- 4) Johnson Maiketso: *Are There Benefits (Actual or Potential) from non-SACU Bilateral and Multi-lateral Agreements?*
- 5) Margaret Sengwaketse: *Trade Facilitation in Botswana*.
- 6) Margaret Sengwaketse: *Export Diversification and Infrastructure: Business Cost of Utilities*.
- 7) Dr Charity Kerapeletswe and Lisenda Lisenda: *Social Profitability of Agricultural Subsidies in Botswana*.
- 8) Draft Policy Brief on Impact of Abattoir Closure on Livestock Production and Productivity in Ngamiland is in progress.
- 9) Draft Policy Brief on Role of Infrastructure in Agricultural Development, the case of Botswana is being developed.
- 10) Johnson Maiketso: Are there Benefits (Actual or Potential) from non-SACU Bilateral and Multi-lateral agreements.
- 11) Livestock Viability study Working paper: Working paper in progress

BIDPA Working Papers

- 1) Tebogo B Seleka. *Diversification in Botswana's Agricultural Sector: Issues, Prospects and Challenges*. BIDPA Publication Series.

BIDPA Briefing

Quarter 2 BIDPA Briefing: Completed and published.

Other Publications

- 1) Basic Concepts & Methodology of Economics – book chapter completed.



Publication (Cont'd)

- 2) Dr Seleka's paper on Welfare Impacts of Import Controls has been accepted for publication in *Agricultural Economics*, a journal for the International Association for Agricultural Economist.
- 3) *The State of Governance in Botswana 2004* (UNECA/BIDPA) (2006). This is the first book published by the Public sector Reforms Unit. Its principal authors are: Molefe Phirinyane, Prof Jonathan Mayuyuka Kaunda; Dr Jay Salkin; Gape Kaboyakgosi, Wilson Thupeng and Letsogile Batsetswe.
- 4) Dr Kerapeletswe submitted a book chapter on "Policy Implications for Sustainable Agricultural Development in Botswana" which will appear in a book on Small Economies to be published by Nova Science in USA. Comments have been received and draft is being finalised.
- 5) Basic Concepts & Methodology of Economics – Book Chapter completed.
- 6) Dr. Seleka's paper on Welfare Impacts of Import controls has been accepted for publication in *Agricultural Economics*, a journal for the International Association for Agricultural Economist.
- 7) Compensated Demand Approach to Wrongful termination and Personal Injury Cases: A Critique & Extension – Accepted for publication in *Journal of Forensic Economics*.
- 8) Dr. Seleka is working on a Journal Article on "Final Revisions" which was sent out early October.
- 9) Dr Charity Kerapeletswe and Elisabeth Pienaar (PhD student at the University of California at Davies), whose field research work was supervised by Dr Kerapeletswe. Submitted to IAIA Journal *Impact Assessment of Community Based Wildlife Management System*.
- 10) Dr Kerapeletswe is working on a book chapter on Policy Implications for Sustainable Agricultural Development in Botswana for a publication in a book on Small Economies which is going to be published by Nova Science from USA. The object of the book is to disseminate knowledge and information about the challenges that small nations or groups of small nations are facing and how are they responding to the challenges posed by growing globalization. The revised version is due by mid December 2006.





Staff Matters

Staff Complement

BIDPA staff complement increased from 32 to 37. Women constitute 49% of the workforce.

RESEARCH STAFF

| Position | | First Degree | Masters Degree | PhD Degree | Total |
|-------------------------|------------|--------------|----------------|------------|-------|
| Senior Research Fellows | Citizen | 0 | 0 | 3 | 3 |
| | Expatriate | 0 | 0 | 2 | 2 |
| Research Fellow 2 | | 0 | 1 | 1 | 2 |
| Research Fellow 1 | | 0 | 6 | 0 | 6 |
| Associate Researcher | | 0 | 5 | 0 | 5 |
| Research Assistant | | 3 | 0 | 0 | 3 |
| Total | | 3 | 12 | 6 | 21 |

NOTE Out of 21 researchers, nine are female (43%)

SUPPORT STAFF

| Group/Other | Diploma & Certificate | Bachelor's Degree | Master's Degree | Total Degree | |
|----------------|-----------------------|-------------------|-----------------|--------------|----|
| Administration | 5 | 2 | 0 | 1 | 8 |
| Finance | 0 | 2 | 1 | 1 | 4 |
| ICT | 0 | 0 | 0 | 1 | 1 |
| Library | 0 | 1 | 1 | 1 | 3 |
| Total | 5 | 5 | 2 | 4 | 16 |

NOTE Out of 16 support staff, nine are female (56%)

New Staff Members

The following staff members joined the Institute during the year under review:

- ❑ Ayanda Lebele, Chief Librarian joined the Institute in February 2007. Mrs Lebele was recruited from the University of Botswana where she worked in Library Department.
- ❑ Keoagile Phoi, Librarian joined the Institute in December 2006. Mr Phoi was recruited from the Botswana National Library Services and was attached to Molepolole College of Education.
- ❑ Brigitte Mathibe, Personal Assistant to Executive Director joined the Institute in January 2007. Ms Mathibe was recruited from NACA.
- ❑ Keneilwe Mpule, Research Assistant joined the Institute in April 2006 after working for a number of months on a temporary basis.
- ❑ Keneilwe Mapena, Research Assistant joined the Institute in April 2006 after working for the Institute for a number of months on temporary basis.

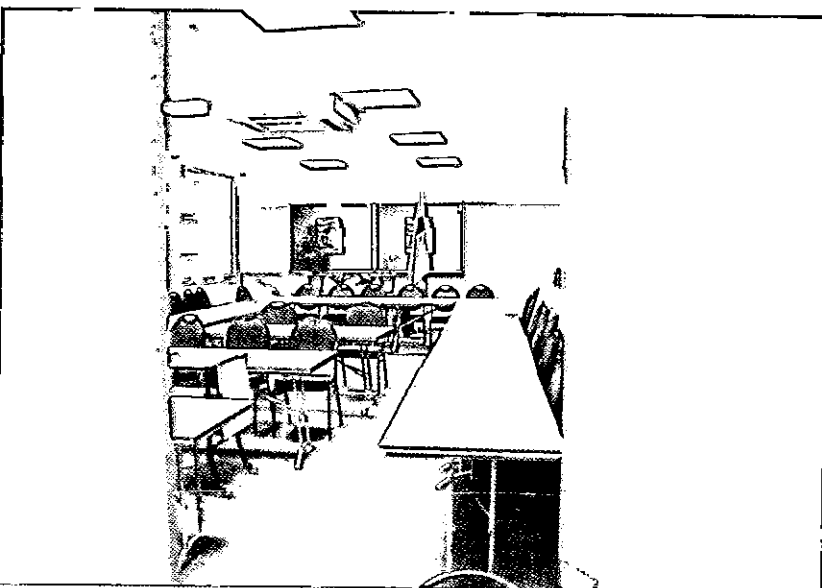


Staff Matters (Cont'd)

Training and Development

BIDPA continues to train its staff to increase their performance. The following staff members were sponsored to attend courses aimed at broadening their knowledge and enhancing their capacity to perform efficiently.

- 1) Mrs Victoria Ndzinge-Anderson did two courses online. The first, a WTO e-Training 8th Course, was on *WTO and its Basic Principles* from 4 to 20 October, 2006. She passed the course with distinction. She also did a course run by World Intellectual Property Organisation (WIPO) Worldwide academy, Course DL101 General course on *Intellectual Property* from 1 October to 15 November, 2006
- 2) Victoria Ndzinge-Anderson attended the *General Forum for Arab-African NGOs* conference held at Tripoli, Libya from 10 to 15 November, 2006. The objective of the conference was to discuss the role that these NGOs can play in assisting the African Union to carry its mandate of eliminating poverty and integrating the continent into the global economy.
- 3) Dr Charity Kerapeletswe participated in a training workshop on *Strategic Environmental Impact Assessment: Experience and Good Practices in Strategic Approaches to Assist Decision Making* offered by International Association for Impact Assessment (IALA) in Stavanger, Norway, May 2006 and funded by the Norwegian Ministry of Environment and Swedish International Development Co-operation Agency (SIDA).
- 4) Lisenda Lisenda and Khutsafalo Sekolokwane attended a *National Workshop on Labour Market Information and Employment Policies*. The workshop discussed labour market information issues and how to use it to derive employment policies.
- 5) Pinkie Kebakile attended a training workshop on *Threshold (T21) Model*. The workshop was held between the 26 and 30 June 2006 at Johannesburg, South Africa. The purpose of the workshop was to introduce T21 to twelve Southern and Eastern African countries in an interactive and hands-on capacity building. T21 is a dynamic macroeconomic model that





- integrates the economic, social and environmental factors in its analysis.
- 6) Letsogile Batsetswe and David Mmopelwa attended a workshop on *Basic Poverty Analysis with Stata*. This training workshop was organised by the United Nations Development Programme (UNDP) Botswana, and conducted by the World Bank at the Institute of Development Management (IDM) from the 24 April to 5 May in Gaborone. The aim was to enhance and develop the skills of participants through training in theoretical and empirical analysis of poverty, using household data and STATA statistical software.
 - 7) Victoria Ndzingi-Anderson also attended a collaborative workshop organised by Trade Unit (BIDPA) and department of International Trade in the Ministry of Trade and Industry on Analysis of SADC Trade and Tariffs which was held at BIDPA on 13 October, 2006.
 - 8) Mr Maiketso attended a FOPRISA conference at Maputo, Mozambique (27 to 30 November, 2006) where he also presented a paper.
 - 9) Mr Maiketso attended an Ad-Hoc Expert Group Meeting on *Mainstreaming Trade into National Development Strategies* held in Cairo, Egypt from 9 to 12 October 2006.
 - 10) Mr Maiketso attended a one-day *EPAs Round Table* was held in Pretoria on 23 October 2006.
 - 11) Dr Kerapeletswe attended a training course on *Capacity Building in Biodiversity and Impact Assessment by Southern African Institute for Environmental Assessment*, Noordhoek, South Africa. 11-13 September 2006.
 - 12) Dr Kerapeletswe attended a training workshop on *Community-based Monitoring Systems (CBMS), Gender and Poverty, Research on Poverty Alleviation (REPOA)* organised and conducted by the International Development Research Centre (IDRC), Dar-es-Salaam, Tanzania – 31 July to 3 August 2006.

Research Staff Development

A total of six staff members are on study leave – two in Australia doing PhD, two in the UK doing PhD, one in the RSA doing PhD and one in Botswana/Kenya doing MA programme. Two of them were released during the year under review. These are:

- ☐ David Mmopelwa is on a Masters' degree programme in economics at the University of Botswana
- ☐ Margaret Sengwaketse is on a three-year PhD degree programme in the UK.

Promotions

Three staff members were promoted.

- ☐ Khutsafalo Sekolokwane was promoted to the position of Associate Researcher after completing her Masters' degree in economics
- ☐ Margaret Sengwaketse was promoted to the position of Research Fellow 1
- ☐ Johnson Maiketso was promoted to the position of Research Fellow 1

Resignations

Three staff members left the Institute – Chedza Molefe from the library left to join the United Nations; Gaorere Kgotla from the library left to join the BNLS and Florah Mashinyana, formerly Personal Assistant resigned to join the private sector.

Social Responsibility Activities

BIDPA staff responded to a call to assist a family in Lecheng by donating funds and clothing to the needy in the village. The staff were warmly received by the Village Development Committee and the village elders who appreciated the token delivered by staff of the Institute.



Botswana Institute for
Development Policy Analysis

Annual Report 2007

for the year ended
31 March 2007

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Report of the Trustees

for the year ended 31 March 2007

The trustees have pleasure in presenting their report, which forms part of the annual financial statements of the Institute for the year ended 31 March 2007.

Business Activities

Botswana Institute for Development Policy Analysis is an autonomous, non governmental research institute established by a trust deed. It is involved in development policy analysis and capacity building in Botswana.

Board of Trustees

| | |
|------------------|---------------------------|
| Prof T Tlou | Chairman |
| Prof B Otlhogile | |
| T Nyamadzabo | |
| M Modise | |
| E.M Dewah | Resigned 31 December 2006 |
| A Molokomme | Resigned 31 August 2006 |
| L.K Mohohlo | |
| M Machailo-Ellis | Appointed 1 January 2007 |
| N.H Fidzani | Secretary |

Executive Director

N.H Fidzani

Place of Business

BIDPA House
Plot 134, Millennium Office Park
Gaborone

Number of Employees

The Institute had forty employees at 31 March 2007 (39: 31 March 2006)

Auditors

KPMG Certified Public Accountants

Bankers

Barclays Bank of Botswana Limited
Standard Chartered Botswana Limited





Botswana Institute for
Development Policy Analysis

Annual Report 2007

Report of the Members of the Board

The Institute's Board of Trustees is responsible for the preparation and fair presentation of the financial statements, comprising the balance sheet at 31 March 2007, the income statement, the statement of changes in equity and cash flow statement for the year then ended, and the notes to the financial statements, and a summary of significant accounting policies in accordance with International Financial Reporting Standards.

The board's responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The board's responsibility also includes maintaining adequate accounting records and an effective system of risk management as well as supplementary schedules included in these financial statements.

The board has made an assessment of the Institute's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the annual financial statements:

The annual financial statements were approved by the Board of Trustees on 13 September 2007 and are signed on their behalf by:

Board Chairman

Trustee

Report of the Auditors

We have audited the accompanying financial statements of Botswana Institute for Development Policy Analysis, set out on pages 6 to 18, which comprise the balance sheet as at 31 March 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of trustees' Responsibility for the Financial Statements

The board of trustees are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards.

This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of Botswana Institute for Development Policy Analysis for the year ended 31 March 2007 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

The supplementary schedule set out on page 19 does not form part of the financial statements and is presented as additional information. We have not audited this schedule and accordingly we do not express an opinion on it.

KPMG

KPMG
Certified Public Accountants
Gaborone

KPMG



Botswana Institute for
Development Policy Analysis

Annual Report 2007

Income Statement

for the year ended 31 March 2007

In Pula

| | Notes | 2007 | 2006 |
|---------------------------------------|-------|---------------------|---------------------|
| Revenue | | | |
| Grants revenue | 1 | 9 101 985 | 9 520 390 |
| Project revenue | | <u>4 188 981</u> | <u>3 997 550</u> |
| | | 13 290 966 | 13 517 940 |
| Other operating income | | <u>422 047</u> | <u>270 243</u> |
| Total revenue | | 13 713 013 | 13 788 183 |
| Operating expenditure | | <u>(14 544 706)</u> | <u>(13 367 913)</u> |
| Operating (deficit)/surplus | | (831 693) | 420 270 |
| Financial income | | 530 147 | 526 167 |
| Financial expense | | <u>(38 197)</u> | <u>(13 464)</u> |
| (Deficit)/surplus for the year | 2 | <u>(339 653)</u> | <u>932 973</u> |

Statement of Changes in Accumulated Funds

for the year ended 31 March 2007

In Pula

| | 2007 | 2006 |
|---------------------------------|------------------|------------------|
| Accumulated funds | | |
| Balance at 1 April 2006 | 9 270 812 | 8 337 839 |
| (Deficit)/surplus for the year | <u>(339 653)</u> | <u>932 973</u> |
| Balance at 31 March 2007 | <u>8 931 159</u> | <u>9 270 812</u> |

Balance Sheet

In Pula,

| | Notes | 2007 | 2006 |
|---|-------|-------------------|-------------------|
| Assets | | | |
| Total non-current assets | | 5 560 628 | 5 987 746 |
| Property, plant and equipment | 3 | <u>5 560 628</u> | <u>5 987 746</u> |
| Total current assets | | <u>9 803 128</u> | <u>10 126 956</u> |
| Work-in-progress | | 578 432 | 346 500 |
| Accounts receivable | 4 | 3 918 561 | 3 011 199 |
| Investments | 5 | 2 884 730 | 3 716 107 |
| Cash and bank balances | | <u>2 421 405</u> | <u>3 053 150</u> |
| Total assets | | <u>15 363 756</u> | <u>16 114 702</u> |
| Total accumulated funds | | <u>8 931 159</u> | <u>9 270 812</u> |
| Total non-current liabilities | | <u>3 207 238</u> | <u>3 543 867</u> |
| Deferred capital grants | 6 | 3 126 670 | 3 377 394 |
| Long term portion of finance lease liabilities | 8 | <u>80 568</u> | <u>166 473</u> |
| Total current liabilities | | 3 225 359 | 3 300 023 |
| Short term portion of finance lease liabilities | 8 | 89 296 | 85 937 |
| Accounts payable | 7 | <u>3 136 063</u> | <u>3 214 086</u> |
| Total accumulated funds and liabilities | | <u>15 363 756</u> | <u>16 114 702</u> |



Cash Flow Statement

In Pula,

| | 2007 | 2006 |
|---|--------------------|------------------|
| Activities | | |
| (Deficit)/surplus for the year | (339 653) | 932 973 |
| Adjustments for: | | |
| Profit on sale of assets | (428) | (118 779) |
| Provision for bad debts | 312 863 | - |
| Depreciation | 501 372 | 402 712 |
| Amortisation of deferred capital grants | (325 950) | (341 912) |
| Computer stolen | - | 11 100 |
| Interest received | (530 147) | (526 167) |
| Operating (deficit)/surplus before working capital Changes | (381 943) | 359 927 |
| Decrease in accounts receivable and work in progress | (1 452 157) | (46 316) |
| (Decrease)/increase in accounts payable | (78 023) | 696 691 |
| Net cash (outflow)/inflow from operating activities | (1 912 123) | 1 010 302 |
| Investing activities | | |
| Interest received | 530 147 | 526 167 |
| Payments for plant and equipment | (75 226) | (544 226) |
| Proceeds on sale of assets | 1 400 | 122 080 |
| Net decrease/(increase) in investments | 831 376 | (368 706) |
| Capital grants received | 75 226 | 101 078 |
| Net cash inflow/(outflow) from investing activities | 1 362 923 | (163 607) |
| Financing activities | | |
| Capital lease payments | (82 545) | (7 590) |
| Net (decrease)/ increase in cash and cash equivalents | (631 745) | 839 105 |
| Cash and cash equivalents at the beginning of the year | 3 053 150 | 2 214 045 |
| Cash and cash equivalents at the end of the year | 2 421 405 | 3 053 150 |
| Cash and cash equivalents consist of: | | |
| Cash on hand | 2 186 | 1 186 |
| Bank balances – current accounts | 750 385 | 646 444 |
| – call accounts | 1 774 283 | 2 499 118 |
| – overdrafts | (105 449) | (93 598) |
| Cash and cash equivalents at the end of the year | 2 421 405 | 3 053 150 |

Accounting Policies

Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

Basis of Preparation

The financial statements are presented in Botswana Pula, the Institute's functional currency. They are prepared on the historical cost basis, modified by the revaluation of financial instruments to fair value and incorporate the following principal accounting policies which are consistent with those applied in the prior period.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

There are no judgements made by management in the application of IFRSs that have a significant effect on the financial statements or estimates with a significant risk of material adjustment in the next year.

Accumulated Funds

These funds are financed by grants and project surpluses. Accumulated funds carry no restrictions on their use other than restrictions imposed by the Board of Trustees.

Property, Plant, Equipment and Depreciation

Property and equipment are stated at cost less depreciation and impairment losses. Depreciation is calculated on the straight-line basis from the time the assets are available for use, so as to write off their cost over their estimated useful lives, taking into account any residual values, at the following rates:

- ☐ Motor vehicles 4 years
- ☐ Office equipment 5 years
- ☐ Computers 4 years
- ☐ Furniture and fittings 10 years
- ☐ Library books 2 years
- ☐ Household furniture 5 years
- ☐ Building 50 years
- ☐ Land 99 years

The residual values, if not insignificant, are reassessed annually. The useful lives are reassessed annually.

Work in Progress

Work in progress is valued on the percentage of completion basis.



Accounting Policies (cont'd)

Recognition and Derecognition of Assets and Liabilities

The Institute recognises assets when it obtains control of a resource as a result of past events and when future economic benefits are expected to flow to the Institute. The Institute derecognises a financial asset when it loses control over the contractual rights that comprise the asset and consequently transfers the substantive risks and benefits associated with the asset. A financial liability is derecognised when it is legally extinguished.

Foreign Currencies

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Pula at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Pula at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the income statement.

Investments

Bank of Botswana Certificates linked deposits are classified as being available-for-sale and are stated in the balance sheet at amortised cost which, in the opinion of the trustees closely approximates to fair value.

Revenue Recognition

Grants

Revenue grants are recognised in the income statement on receipt in the bank account. Capital grants are recognised in the balance sheet on receipt in the bank account as deferred income and are released to the income statement on a basis matching them with the depreciation charge on the assets purchased using the grant.

Interest income

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

Employee Benefits

Employees of the Institute are on contract and are eligible for gratuity at various rates of basic pay at the end of the contract. An accrual for gratuity has been made in these annual financial statements.

Leases

Finance leases

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the Institute are classified as finance leases. Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease and depreciated over the estimated useful life of the asset. The capital element of future obligations under the leases is included as a liability in the balance sheet. Lease payments are allocated using the sum of the digits method to determine the lease finance cost, which is charged against income over the lease period, and the capital repayment, which reduces the liability to the lessor.

Accounts Receivable

Accounts receivable are recognised and carried at original invoice amount less an allowance for any uncollectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Trade and other Payables

Trade and other payables are stated at their cost.

Provisions

Provisions are recognised when the company has a present obligation as a result of a past event where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand are included as a component of cash and cash equivalents for the purposes of the statement of cash flows.

Taxation

Income tax on the profit or loss for the year comprise current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, after taking account of income and expenditure which is not subject to taxation and capital allowances on plant and equipment and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purpose. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax is charged to the income statement except to the extent that it relates to a transaction that is recognised directly in equity. The effect of deferred tax of any changes in tax rates is recognised in the income statement, except to the extent that it relates to items previously charged or credited directly to equity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associates unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Impairments

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount of assets is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss is recognised as income immediately.



Notes to the Financial Statements

In Pula

| | 2007 | 2006 |
|--|------------------|------------------|
| 1. Grant income | | |
| Botswana Government | 8 411 401 | 8 468 834 |
| The African Capacity Building Foundation (ACBF) | 690 584 | 1 951 556 |
| | <u>9 101 985</u> | <u>9 520 390</u> |
| 2. (Deficit)/Surplus for the year | | |
| is stated after taking into account the following: | | |
| Auditor's remuneration | 49 300 | 10 937 |
| Depreciation | 501 372 | 402 422 |
| Exchange gain | (29 031) | (118 167) |
| Profit on disposal of property, plant & equipment | (428) | (118 779) |
| Professional costs – hired in | 500 | 15 756 |
| Staff costs | <u>9 886 935</u> | <u>9 271 240</u> |

3. Property, Plant and Equipment

| | Leasehold land & buildings | Motor vehicles | Office equipment | Computers | Furniture and fittings | Household furniture | Library books | Total |
|---------------------------------|----------------------------------|-------------------|---------------------|------------------|------------------------------|------------------------|------------------|------------------|
| Cost | | | | | | | | |
| Balance of 1 April 2006 | 5 087 515 | 941 175 | 608 316 | 1 137 595 | 754 196 | 630 | 495 351 | 9 024 778 |
| Additions | – | – | 8 321 | 46 789 | – | – | 20 116 | 75 226 |
| Disposals | – | – | – | – | (1 531) | – | – | (1 531) |
| Balance at 31 March 2007 | 5 087 515 | 941 175 | 616 637 | 1 184 384 | 752 665 | 630 | 515 467 | 9 098 473 |
| Accumulated Depreciation | | | | | | | | |
| Balance at 1 April 2006 | 381 980 | 256 140 | 398 854 | 946 559 | 563 130 | 630 | 489 739 | 3 037 032 |
| Charge for the year | 107 751 | 196 293 | 58 830 | 91 918 | 35 704 | – | 10 876 | 501 372 |
| Disposals | – | – | – | – | (559) | – | – | (559) |
| Balance at 31 March 2007 | 489 731 | 452 433 | 457 684 | 1 038 477 | 598 275 | 630 | 500 615 | 3 537 845 |
| Net book value | | | | | | | | |
| 31 March 2007 | 4 597 784 | 488 742 | 158 953 | 145 907 | 154 390 | – | 14 852 | 5 560 628 |
| 31 March 2006 | 4 705 535 | 685 035 | 209 462 | 191 036 | 191 066 | – | 5 612 | 5 987 746 |

The land on which the BIDPA building is situated was acquired through a notarial deed of leasehold for a duration of 99 years commencing on 10 March 2003. The cost of the land is P300 000 (2006: P300 000). The net book value of the motor vehicle held under finance lease is P173 538 (2006: P238 333).

In Pula

| | 2007 | 2006 |
|---|------------------|------------------|
| 4. Accounts receivable | | |
| Project debtors | 3 837 147 | 2 513 710 |
| Less Provision for doubtful debts | <u>(312 863)</u> | <u>—</u> |
| | 3 524 284 | 2 513 710 |
| Staff | 8 980 | 26 409 |
| Deposits | 7 000 | 7 000 |
| Grant receivable from African Capacity Building Foundation (ACBF) | 103 723 | 238 479 |
| Sundry | 106 105 | 147 799 |
| Prepayments | <u>168 469</u> | <u>77 802</u> |
| | <u>3 918 561</u> | <u>3 011 199</u> |
| 5. Short term investments | | |
| Bank of Botswana Certificates | — | 3 716 107 |
| Bank of Botswana Certificates linked deposits | <u>2 884 730</u> | <u>—</u> |
| | <u>2 884 730</u> | <u>3 716 107</u> |
| 6. Deferred capital grants | | |
| Balance at beginning of year | 3 377 394 | 3 618 228 |
| Capital grants received | <u>75 226</u> | <u>161 078</u> |
| | 3 452 620 | 3 719 306 |
| Amortisation of capital grants | <u>(325 950)</u> | <u>(341 912)</u> |
| | <u>3 126 670</u> | <u>3 377 394</u> |
| 7. Accounts payable | | |
| Advance payables to ACBF | 155 722 | 273 823 |
| Trade creditors and accruals | 201 563 | 266 823 |
| Gratuity provision | <u>2 778 778</u> | <u>2 673 954</u> |
| | <u>3 136 063</u> | <u>3 214 086</u> |
| 8. Finance lease liabilities | | |
| Short term portion | 89 296 | 85 937 |
| Long term portion | <u>80 568</u> | <u>166 473</u> |
| | <u>169 864</u> | <u>252 410</u> |



Notes to the Financial Statements *(cont'd)*

In Pula

| | 2007 | 2006 |
|---|----------------|----------------|
| 8. Finance lease liabilities <i>(cont'd)</i> | | |
| Made up as follows: | | |
| Amounts due in one year | 89 296 | 85 937 |
| Amounts due in two to five years | <u>80 568</u> | <u>166 473</u> |
| | <u>168 864</u> | <u>252 410</u> |

The Institute entered into a finance lease liability with Wesbar (a division of First National Bank of Botswana Limited) on 21 December 2005 for the purchase of a motor vehicle for P331 884. Interest amounted to P65 949 and is amortised over the period of the lease using the sum of digits method. The finance lease is for a period of 36 months starting 21 December 2005.

9. Financial instruments

Exposure to currency, interest rate and credit risk arises in the normal course of the Institute's affairs.

Currency risk:

The Institute does not maintain significant foreign currency positions and is exposed to currency risk mainly through foreign currency bank accounts on US dollar and GBP accounts. At year end these amounted to Pula equivalent of P204 955 and P121 797 respectively.

Interest rate risk:

The exposure to interest rate risk arises from the Institute's investments and interest bearing cash accounts. Interest rates on Bank of Botswana Certificates (BOBCs) linked deposits are fixed. At year end the effective yields on BOBCs held by the Institute with Stock Brokers Botswana was 11.63%. Interest earned on call deposit accounts is at market rates from commercial banks which at year-end approximated 9.5%. Finance leases carry an IRR of 15% fixed.

Credit risk:

Trade credit is only extended to selected reputable clients. Exposure to credit risk is monitored on an ongoing basis. The Institute faces a low credit risk as reputable financial institutions are used for investing and cash handling purposes.

Fair values:

The fair value of all financial instruments approximate their carrying amounts reflected in the financial statement.

10. Taxation

No provision has been made for taxation as the Institute has no potential tax liability.

11. Related parties

Identification of related parties

Botswana Institute for Development Policy Analysis is an autonomous, non-governmental research institute established by a trust deed through a joint agreement between the Government of Botswana and the African Capacity Building Foundation (ACBF).

The Board of Trustees are listed in the Trustees' Report on page 27.

| | 2007 | 2006 |
|--|----------------|---------|
| <i>Related party transactions</i> | | |
| Grant income | — refer note 1 | |
| Board fees | 8 592 | 10 808 |
| Director's emoluments | 510 633 | 474 850 |
| Grant receivable from ACBF (Note 4) | 103 723 | 238 479 |
| Advance payable to ACBF (Note 7) | 155 722 | 273 823 |

12. New IFRS

Effective Date

As the date of authorisation of the financial statements for the year ended 31 March 2007, the following standards and interpretations were in use but not yet effective.

Standard Interpretation

IFRS 7

Financial Instruments: Disclosures (including amendments to IAS 1 Presentation of Financial Statements: Capital Disclosures)

Annual periods commencing on or after 1 January 2007. The statement deals mainly with the disclosure of financial instruments and related quantitative and qualitative risks.

IFRIC 8

Scope of IFRS 2

Annual periods commencing on or after 1 May 2006. The standard will not be applicable to the Institute.

IFRIC 9

Reassessment of Embedded Derivatives



Notes to the Financial Statements *(cont'd)*

for the year ended 31 December 2007

12. New IFRS *(Cont'd)*

| | | |
|-------------------------|---|---|
| IFRIC 9 | <i>Reassessment of Embedded Derivatives</i> | Annual periods commencing on or after 1 June 2006. The standard will not be applicable to the Institute. |
| IAS 23 amendment | <i>Borrowing costs</i> | Annual periods commencing on or after 1 January 2009. The standard will not be applicable to the Institute. |
| IFRS 8 | <i>Segment reporting</i> | Annual periods commencing on or after 1 January 2009. The standard will not be applicable to the Institute. |
| IFRIC10 | <i>Interim financial reporting and impairment</i> | Annual periods commencing on or after 1 November 2006. The interpretation is not applicable to the Institute. |
| IFRIC11 | <i>IFRS 2 – Group and treasury transactions</i> | Annual periods commencing on or after 1 March 2007. The interpretation is not applicable to the Institute. |
| IFRIC12 | <i>Service concessions arrangements</i> | Annual periods commencing on or after 1 January 2008. The interpretation is not applicable to the Institute. |
| IFRIC13 | <i>Customer loyalty programmes</i> | Annual periods commencing on or after 1 July 2008. The interpretation is not applicable to the Institute. |
| IFRIC14/IAS19 | <i>Limit on a defined benefit asset, funding requirements and their interaction</i> | Annual periods commencing on or after 1 July 2008. The interpretation is not applicable to the Institute. |

Detailed Income Statement

for the year ended 31 March 2007

In Pula

| | 2007 | 2006 |
|---|-------------------|-------------------|
| Income | | |
| Grants revenue | 9 101 985 | 9 178 478 |
| Amortisation of capital grants | 325 950 | 341 912 |
| Interest received | 530 147 | 526 167 |
| Sundry revenue | 67 066 | 152 076 |
| Project revenue | 4 188 981 | 3 997 550 |
| | <u>14 214 129</u> | <u>14 196 183</u> |
| Operating expenditure | | |
| Advertising | 83 833 | 95 051 |
| Audit fees | 49 300 | 10 937 |
| Bank charges | 31 334 | 31 474 |
| BIDPA publications | 144 482 | 35 267 |
| Board expenses | 8 592 | 10 808 |
| Conference costs | 265 670 | 37 752 |
| Consultancy | 36 355 | 10 940 |
| Computer write off | — | 11 100 |
| Depreciation | 501 372 | 402 712 |
| Exchange gain | (29 031) | (118 167) |
| Hospitality | 12 930 | 8 677 |
| Insurance | 58 445 | 57 740 |
| Interest on lease | 38 107 | 13 464 |
| Legal fees and licences | 31 307 | 2 352 |
| Library and information services | 234 837 | 286 466 |
| Motor vehicle write off | — | 17 732 |
| Printing and stationery | 157 498 | 149 743 |
| Repairs and maintenance | 180 463 | 232 620 |
| Security | 55 351 | 64 256 |
| Software | 33 146 | 12 127 |
| Staff costs | 9 886 935 | 9 271 240 |
| Staff welfare | 30 044 | 45 093 |
| Cleaning | 77 811 | 80 616 |
| Telephone, fax and postages | 336 494 | 334 506 |
| Training costs | 738 404 | 756 995 |
| Travel | 110 436 | 71 961 |
| Utilities | 106 548 | 101 886 |
| Vehicle costs | 33 539 | 29 500 |
| Internal project cost | 80 179 | 50 912 |
| Project costs/professional costs-hired in | 946 538 | 1 147 450 |
| Provision for doubtful debtors | 312 863 | — |
| | <u>14 553 782</u> | <u>13 263 210</u> |
| Total operating expenditure | | |
| | <u>14 553 782</u> | <u>13 263 210</u> |
| (Deficit)/surplus for the year | <u>(339 653)</u> | <u>932 973</u> |

This schedule does not form part of the financial statements and is presented solely for the information of the Trustees.



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