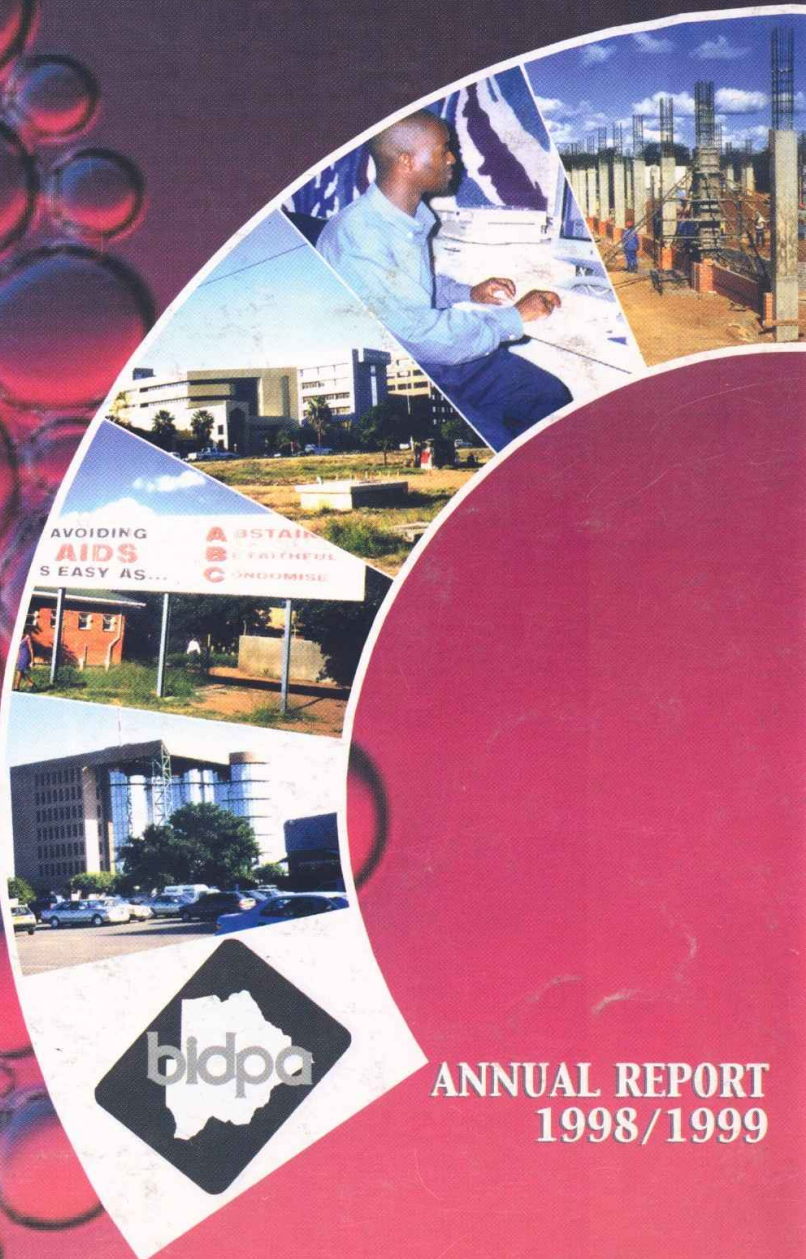


BOTSWANA INSTITUTE FOR DEVELOPMENT POLICY ANALYSIS



ANNUAL REPORT
1998/1999

Annual Report Box BID



Botswana Institute for Development Policy Analysis

Mission Statement



BIDPA's trust deed sets out the objectives to be pursued and the functions to be performed by the institute. Our mission is as follows:

- (a) Promote and conduct research, analysis and publication on development policy issues which are of relevance to Botswana and the Southern African region.
- (b) 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.
- (c) Offer advice and consultancy services to agencies of Government and other clients under suitable contractual and other arrangements.
- (d) Provide technical and financial assistance, directly or indirectly, to individuals and organisations in Botswana as deemed desirable for purposes of facilitating policy analysis.
- (e) 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 which build or augment national capacities for performance and understanding of policy analysis.
- (f) Employ staff members who will themselves, or jointly with other organisations 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.
- (g) Present or publish, as the case may be, the outcome of its policy analysis, orally or in writing, to individuals, organisations or the general public at large.
- (h) Mobilise and administer funds to support the activities and performance of the functions of the Institute.

BIDPA

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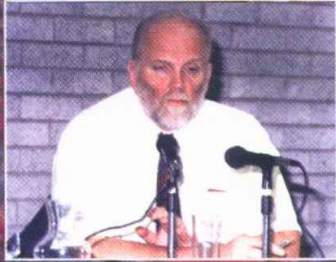
Botswana Institute for Development Policy
Botswana Institute for Development Policy
Book
Annual Report Box



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1.	INTRODUCTION	1
2.	POLICY RESEARCH AND CAPACITY BUILDING	2
	A) <i>POLICY RESEARCH AND RELATED ACTIVITIES</i>	2
	i. Incomes, welfare and poverty	2
	ii. Macroeconomic Forecasting and Planning	2
	iii. Structural Change	2
	iv. Economic Monitoring	4
	v. Other	4
	B) <i>CAPACITY BUILDING</i>	5
3.	COOPERATION WITH OTHER INSTITUTIONS	6
4.	SEMINARS AND CONFERENCES	7
5.	INSTITUTIONAL DEVELOPMENT AND PERSONNEL	8
6.	ABRIDGED FINANCIAL REPORT	9
7.	EFFECTS OF THE EU-SA PROTOCOL ON THE BLNS	
	ECONOMIES: Main findings from an IDS/BIDPA Study	13
	ANNEX 1:	
	OVERVIEW OF PUBLICATIONS	15





Botswana Institute for Development Policy Analysis

INTRODUCTION

1. 1998/99 has been a year of particularly rapid expansion. Seven new staff members joined BIDPA. By the end of the year the staff complement was nearly at the level of the planned "steady state", except that Senior Research Fellow (Public Administration) has not yet been recruited.

2. The composition of the Board of Trustees changed during the year under review. Mr O.K. Matambo left the Board as he took over the Directorship of the Botswana Development Corporation and could no longer be the Ministry of Finance and Development Planning ex officio representative on the BIDPA Board. He was replaced by his successor in the position of Permanent Secretary of the Ministry of Finance and Development Planning, Mr Serwalo Tumelo.

3. A considerable addition to the Board of Trustees during the year, filling the place of Quill Hermans, who withdrew last year was Dr. A. Molokomme. Her joining the board is both important in itself and in addition in improving the Board's gender balance, which is however still skewed.

4. Professional activity has received a boost this year, and a higher number of projects than ever has been started. Four notable developments shall be highlighted:
 * The analysis of the effect on the economies of Botswana, Lesotho, Namibia and Swaziland of the Free Trade Area between the European Union and South Africa has been successfully concluded. The publication of the study which was produced in co-operation with the Institute for Development Studies (IDS), Sussex, UK, indicates the start of our work to build a regional profile for BIDPA. Also of significance is our Co-operation with IDS which is one of the key development research institutes world wide.

* The year also saw the finalisation of the report from the Government Task Force on a Privatisation policy for Botswana. BIDPA was centrally involved as a secretariat to the Task

Force. This is the first time BIDPA has participated in such a significant way in a key policy area.

* Among the highlights of the year one would also like to mention the general increase in activities related to international trade and finance. This is an area which is of great importance for Botswana in the near future. Botswana's successful handling of issues like the membership of WTO, further negotiations on SACU, the SADC free trade area as well as the future changes in Lome is critical and will require research capacity which we now are well under way to build up.

* Finally, up to this year monitoring of the Botswana economy has been one of the points where we have felt that we have had problems in living up to our mission statement. A big step forward has been taken with the introduction of the BIDPA Briefing which has had a very enthusiastic reception. We are grateful to Botswana Insurance Fund Management that has made it possible, through sponsorship, to distribute the Briefing free of charge to a large number of firms and private persons inside and outside Botswana.

5. Financially, BIDPA aims at increasing its project revenue to cover an increasing share of its cost. During the year under review, because the unexpected shortfall in major projects, expenditure increased far more than project incomes. BIDPA has taken measures which should correct the situation during 1999/2000 and get on the path to greater financial independence.

6. As a still young institution, BIDPA is continually engaged in trying improving its role as a Botswana "Think Tank". At our Retreat this year, a number of course adjustments were agreed and should be implemented during the next year. We also agreed on a vision for BIDPA to "Become the Leading Policy Research Institute in Southern Africa". The enthusiasm of staff and management and Board to make the vision come true should augur well for the future.

POLICY RESEARCH AND CAPACITY BUILDING

A) POLICY RESEARCH AND RELATED ACTIVITIES

7. BIDPA's research continues to focus on three main areas: "Incomes, Welfare and Poverty", "Macroeconomic Forecasting", "Projections and Planning", "Structural Change in Botswana's Economy". This year saw the notable addition of "Economic Monitoring" and a number of other smaller projects and activities that reflect the increase in our capacity.

8. In these areas of focus BIDPA over the year under review started some 54 projects, small and large, on top of 24 already ongoing project activities.

i. Incomes, Welfare and Poverty

9. The major project in this area was a review and evaluation of HIV/AIDS data. The project relates to three other projects tendered by the Botswana Government of which BIDPA was doing two. The other projects focused on demographic effects of aids, budgetary consequences and macroeconomic effects of AIDS.

10. Working with the UNICEF, BIDPA during the year helped finalise an analysis of a family health survey. BIDPA also worked with a consultancy firm, Maendeleo, on the UNICEF situation analysis for women and children. Several of our Assistant Research Fellows assisted in data gathering and interviews of families and village groups throughout the country.

11. With an international consultancy company, BIDPA undertook an analysis of certain aspects of the housing needs for poor families in Gaborone.

12. One finding of the earlier study on Poverty and Poverty Alleviation in Botswana was that the number of Batswana with incomes under the poverty line had declined over the years 1985/6 to 1993/4. A project focusing on the factors behind the decline was launched.

13. A BIDPA Research Fellow, assisted by an Assistant Research Fellow used data from the poverty study as well as other data to prepare a conference paper on "Popular Participation and Performance of the State in Poverty Alleviation: The Role of the Participation and State Provision in Poverty Reduction, The Case of Botswana". The paper was accepted as a chapter in a book on Poverty and

Democratisation to be Published by an international institution for Comparative Research on Poverty (CROP).

ii. Macroeconomic Forecasting and Planning

14. In the field of macro-economics and planning, the main project has been the reconstruction of MEMBOT, a Macroeconomic Model for Botswana. The main activities have been directed towards an expansion of the financial side of the model and inclusion of some aspects of employment and the labour market. Also a number exogenous variables have been made endogenous. An interim report for the modelling project has been produced.

15. A project on the macroeconomic impact of AIDS in Botswana, part of the four projects mentioned above, was started. Steps completed were a review of literature and methodology as well as an initial construction and running of the model to assess economic impact.

16. Smaller consultancies and commissioned papers worked on has been the following: "Banking in Zimbabwe: the impact of financial sector reform since independence, with special reference to indigenous financial institutions;" "The fragility of African commercial banking systems" for an article in *Oxford Analytica*; "The impact on Southern Africa of the financial crises in Asia and Russia" presented to the bi-annual conference of the Development Society of Southern Africa in April 1999; Impact of financial contagion on SADC currencies; two papers on exchange rate issues in connection with a Mmegi seminar and several brief papers and lectures on the 1999 Botswana Budget.

17. The Executive director has also this year been a member of the reference group for the Mid Term Review of the NDP 8.

iii. Structural Change

18. The recruitment, in July 1998, of a senior International Economist has lead to increased activity in the areas of international trade and finance. Together with public administration issues international trade became a major field in the "Structural Change" area during the year under review.

Trade issues

19. Major part of the activities were absorbed by the completion of a study, started last year, on the effects on the BLNS states of the free trade agreement between South Africa and

the European Union (EU-SAFTA). The project was undertaken in cooperation with the Institute for Development Studies (IDS) Sussex, (UK). The study tackled the key questions via three different methods: analysis of trade flows, interviews with those firms in the BLNS that might be negatively affected, and the building of an analytical model. The model traced the broad economic and sectoral effects of the EU-SA FTA in terms of output, import, exports, employment and customs revenue. (More details can be found in the "highlight" section on p 13 of this annual report)

20. In general, the study found that effects on employment and output would be small but positive, apart from a few cases. However, effects on customs revenue would be considerable and, for some of the countries, dramatic.

21. Conclusions and recommendations of the study were discussed at a workshop at BIDPA which brought together representatives for the (BLNS) clients and the funding agency (EU) in the region as well as from the EU Headquarters in Brussels. Also, a brief overview of the report and conclusions under the title "Trade policy developments in Southern Africa: impact on the BLNS countries" were given at the National Business Conference 1998.

22. The interest for the study has been extensive, and it is now considered to be an authoritative study on the BLNS and the EU SAFTA. The study formed the basis for a subsequent BIDPA regional seminar on the EU-SAFTA agreement.

23. BIDPA has also focused on trade and investment through a number of smaller projects around regional investment issues and Botswana's non-mineral export competitiveness.

24. BIDPA also became involved with analysis and technical assistance support to the Botswana negotiation team for the renegotiations of the Southern African Customs Union (SACU). In particular, our efforts were concentrated on how to restructure the administration of SACU and create a truly international SACU secretariat.

Public Sector

25. In the area of privatisation and public sector reform, a project with the ambitious working title: "Making Government Smaller and More Efficient" was started up towards the end of the year. The project will be implemented in cooperation with the Chr. Michelsen Institute of Norway and will be funded by the Norwegian Ministry of Foreign



Affairs. The study plan includes an international comparison of Botswana's Government size and structure with 4 developing and two industrialised countries; a chapter on the long term implications of structural change on Government spending; factors affecting the quality of Government's economic management in Botswana as well as a section on HIV/AIDS and Government. The study will also include an attempt to address the issue of optimum size of government.

26. A seminar at the start of the study brought together a number of government and private sector participants to brief them about the intentions of the research team and elicit comments and ideas.

27. BIDPA also organised a team of researchers from Botswana and elsewhere for an evaluation of the fifth and last tranche of the Swedish funded District Development Sector Support (DDSS-V). The team was mostly composed of consultants outside BIDPA. The study concluded that DDSS-V was highly relevant to the process of decentralisation in Botswana. Although its full impact was still to be felt in key areas such as personnel and financial management, there was no doubt that it had laid a solid foundation for further decentralisation in tandem with growing capacity and ability in local authorities.

28. In connection with the study BIDPA organised a seminar which involved major stakeholders in the decentralisation process to review the findings and recommendations of the evaluation report which will be published by Sida in its series of evaluation reports.

29. BIDPA was invited to become member of a reference group for a study of institutional aspects of the new Science and Technology Policy. Tasks in 1998/99 also included Membership of the Reference Group for consultancy on a Tourism Fund, and a Tourism Board, including the provision of written comments on draft reports, as well as membership of the reference group for the



restructuring of the Ministry of Commerce and Industry.

Sectoral studies, consultancies and advisory work.

30. A large number of limited efforts with a focus on future growth sectors of the economy took place. Researchers were exposed to the problems of the Motor Industry and undertook a few advisory tasks at short notice. Certain aspects of the potentials of the tourism industry was analysed in a brief paper by one of the Assistant Research Fellows and so were the issues of competition in banking, and aspects of agricultural systems in Botswana. Also, a paper on stock market linkages in Southern Africa was published

31. A major consultancy project involved an analysis of the demand for petroleum products in Botswana. The study would form the basis for the engineering and dimensioning of the new facilities for the country's strategic oil storage. Also, BIDPA was honoured to be asked to undertake an evaluation of the Centre for Research into the Financial Sector of Southern Africa (CREFSA) for the Department for International Development (DFID), Pretoria.

32. Small projects ranged from an evaluation of a proposal from a small entrepreneur for erecting bus shelters to preparing a country profile for a major financing company. The

range shows the potential span in demand for services that BIDPA is able to deliver.

33. BIDPA is frequently asked to participate on reference groups or working committees. Such work takes considerable parts of many staff members time. Since "clients" for such tasks do not consider this work as consulting and do not pay, BIDPA will have to make conscious choices for the limited time that may be used on such activities. In the past year for example, the Executive Director attended the National Committee for the Implementation of the Industrial Development Policy (so far only one meeting has been held) and the organising committee for the Botswana Society Symposium planned for year 2000. Also, a Senior Research Fellow has been made available for advice and other inputs to BNPC's project "Phetogo" 2000.

34. Last, but not least, BIDPA was offered to perform as a secretariat for the Interim Vision Council. BIDPA will recruit specialist staff for this purpose as the activities of the Council get underway.

iv. Economic Monitoring

35. A significant addition to BIDPA's programme took place in 1998 with the launching of the BIDPA Briefings. The briefing is a four page publication with a planned eight issues a year. Four of them would appear quarterly and contain a review of economic events over the last three months and pointers and projections for the future. Four other issues would be "specials" to raise and analyse particularly important and/or topical issues. Also significant in this context was the willingness of a private sector corporation, the Botswana Insurance Fund Management (BIFM) to partially sponsor the Briefing.

36. Connected to the Briefing, a number of the larger companies in Botswana have shown interest in receiving tailor made briefings and macro or sector level analysis for their own sectors. Retainer contracts were signed with two companies during the year under review. Other companies contracted BIDPA for shorter assignment of analysis and presentations to senior management on economic trends and developments in Botswana and the Southern African region.

v. Other

37. A major logistic task in 1998 was the arrangement of the National Business Conference in Francistown and preparation of a Conference Report. The conference had to be arranged at shorter notice than earlier years but was very successful. Apart from supporting

this nationally important conference, a number of BIDPA staff participated as presenters and thus had the opportunity to disseminate some BIDPA research results to a high level forum of business people and policy makers.

38. BIDPA is increasingly used as an informant on past and present developments in Botswana by external institutions and individual visitors.

This year such a briefing session took place, on average, nearly once a week. Some examples are as follows: Three Senior staff members briefed a delegation from Chad including its Minister of Finance about Planning, Budgeting and Economic Developments in Botswana. Briefings were also given to a group of Norwegian parliamentarians. The Executive Director participated in Southern Africa's preparations for the Global Water Partnership conference to take place in Geneva in the beginning of year 2000. He also participated in an Harare conference on Think Tanks in Africa.

39. A brief review of the Botswana economy for the Kellogg Foundation was prepared by one of our Senior Research Fellows. A Research Fellow took part in the inaugural meeting of a Regional Network on Agricultural policy. Advice was also given on a study of the demand for PVC products in Botswana. Senior staff members have also, as part of their normal academic work, been involved in review of various articles for academic journals.

B) CAPACITY BUILDING

40. The two first Assistant Research Fellows sponsored by BIDPA for MA level studies, Mr. Molapisi Dithlong (London School of Economics) and Mr. Ndaba Gaolathe (Wharton Business School) left Botswana last year. This year, 1998/99 a further two Assistant Research Fellows left for their studies. Mr. Lisenda Lisenda went to Nottingham University and Ms. Magdeline Sesinyi to the University of Warwick. All four are studying for MA in economics / business.

41. Also during the year, the first Research Fellow, Charity Kerapeletse, left for doctorate studies at the University of York. In addition BIDPA sponsored three non-BIDPA doctoral fellows under its Doctoral Programme.

42. Capacity building at BIDPA has continued with the same strategy as earlier years. Assistant Research Fellows and Research Fellows will work on income generating projects supervised by Senior Research Fellows whenever their input is useful and/or they can learn from it. For instance, this year an Assistant Research Fellow was part of the team preparing the EU-

SAFTA study referred to above and with a Senior Research Fellow did part of the field research, interviewing government officials, business sector representatives, central bank officials, and manufacturing companies in Lesotho, Swaziland and Botswana

43. Besides, Assistant Research Fellows do engage in independent research in the form of so called seminar papers where we attempt to emulate the process of a "real life" contract research /consultancy project. Writing a project proposal is followed by an interim report and a final report. In-house seminars are held at each juncture to provide peer criticism and guidance. In addition, Assistant Research Fellows get intensive supervision and support from the responsible Senior Research Fellow.

44. All Senior Research Fellows are mentors for a number of Assistant Research Fellows and provide comments on papers written by them. The mentors also have an overall responsibility for the professional growth and development of junior staff.

45. In addition, junior staff at BIDPA attend courses offered by institutions in Botswana and the region. This year, Assistant Research Fellows attended a one week course in Computable General Equilibrium models for Policy Analysis, arranged by the University of Sheffield in Gaborone; a weeks course on a Statistical Package for Social Sciences (SPSS) arranged by BNPC and a workshop on "A new Lome Trade Regime; The impact of reciprocal trade relations between the EU and SADC" arranged by the Trade and Industrial Policy Secretariat (TIPS) Johannesburg. Also, an Assistant Research Fellow participated in a workshop on "Emerging Trade Issues" in South Africa. A Research Fellow participated in a workshop on Labour Markets, Poverty and Equality, arranged by the World Bank in Cape Town.

46. BIDPA attaches great importance to the training of non-research staff. Our Chief Librarian attended a one-month course at University of Wales on "Managing the Electronic Library". The Executive Secretary obtained a Diploma in Secretarial and Administrative services. One of our drivers attended a computer school and is now able to undertake simple maintenance and give support to computer users. The Receptionist and Tirelo Sechaba staff from the library also attended courses.

47. Outside BIDPA, a senior fellow co-supervised a University of Botswana MA thesis and taught half of the fourth year course on money and banking at the University of Botswana.

3

COOPERATION WITH OTHER INSTITUTIONS

48. Among institutions in Botswana the Ministry of Finance and Development Planning still ranks as the most important cooperating partner and client. During the year we have also had very close informal relationships with the Ministry of Commerce and Industry as well as the BNPC. It is hoped that this will lead to more formal relations and research projects in the future.

49. BIDPA also continued its library cooperation with the Bank of Botswana.

50. Relations with the University of Botswana have been good as usual. University staff, for instance, was an important part of the team for the evaluation of the District Development Sector Support referred to above. Also, BIDPA has supported the Economics Department with part-time teaching. The University has as usual, along with Government representatives, given BIDPA support by participating in selection panels for important recruitment decisions.

51. The most important cooperation project with any foreign organisation during the year has been the completion of a joint project with the Institute of Development Studies, University of Sussex, on the impact on BLNS of the European Union South Africa Free Trade

Agreement. Another project involving cooperation with foreign institutions is the start of "Making Government Smaller..." with the Christian Michelsen institute of Bergen, Norway. These project have shown us that cooperation with far-away institutions is perfectly feasible and do not have to be very costly, given appropriate telecommunications and internet facilities.

52. In the region, the year has seen closer relations with two South African institutions: the Development Policy Research Unit (DPRU) at the University of Cape Town and the Trade and Industrial Policy Secretariat (TIPS), Johannesburg. A major project on regional development and investment planned as a cooperation project with DPRU had to be temporarily shelved. One Senior Research Fellow delivered a paper for a project on foreign investment in SADC at a DPRU conference.

53. The year also saw the signing of a Memorandum of Understanding with the Malaysian Institute of Economic Research. It is expected that 1999/2000 will see various forms of cooperative action between the two institutes.



4

SEMINARS AND CONFERENCES

54. Participation in seminars and conferences this year includes long list of events where BIDPA staff gave talks, papers or in other ways participated. A number of requests for similar participation have had to be refused because of capacity problems:

- * MISA Botswana: Presentation on "Poverty in Botswana"; part of MISA series of workshops on Economic Journalism.
- * Ditshwanelo conference on Human Rights and Democracy in Botswana, 1998: "Poverty in Botswana".
- * Ditshwanelo conference on Human Rights and Democracy in Botswana, 1998: "Globalisation and Human Rights".
- * Mmegi Publishing Trust: Seminar on Exchange Rate Policy. BIDPA presented two papers.
- * BOCCIM Lobatse Branch: Presentation on "Economic Aspects of the 1999 Budget", Budget Seminar.
- * First National Bank: Presentation on "Financial and Monetary Aspects of the 1999 Budget", FNB Budget Breakfast.
- * Bank of Botswana: Presentation on "Flow of Funds Analysis: The Case of Botswana", Bank of Botswana Conference on Savings and Investment.
- * Bank of Botswana: Presentation on "Constraints on Financial Intermediation in

Botswana", Banking Week 1999.

- * Trade and Industry Policy Secretariat (TIPS) Forum, Johannesburg: A BIDPA Senior Research Fellow was a discussant for a paper on "Resource Allocative Effects of EU-SA FTA: GE Analysis Using GTAP"
- * Business & Financial Times "Is Southern Africa Ready for Monetary Union and a Common Currency"
- * Briefing for Stockbrokers Botswana Ltd: "International Diamond Market Developments and their Impact on the Botswana Economy".
- * Briefing for Stockbrokers Botswana Ltd: Savings and Investment.
- * National Business Conference, 1998 (plenary session): "Botswana's Road to Competitiveness in the New Millennium".
- * National Business Conference 1998: "Trade Policy Developments in Southern Africa: Impact on the BLNS countries"
- * Conference on the impact of globalisation in Harare, Zimbabwe: "Banking in Zimbabwe, the impact of financial sector reform since independence, with special reference to indigenous financial institutions."
- * Trade and Industry Policy Secretariat Conference: "Obstacles to Foreign Investment in Southern Africa".

55. The BIDPA retreat, in December 1998



5

INSTITUTIONAL DEVELOPMENT AND PERSONNEL

discussed the future of BIDPA and our vision. There was considerable focus on our regional role and the vision drawn up set the aim of becoming the "Leading Policy Research Institute in Southern Africa". A number of leverage points were agreed on. We agreed that more could be done to capitalise on our store of data and information. Also, there would probably be gains from putting more emphasis on public relations and marketing. A number of desirable structural and administrative changes at BIDPA were also discussed. The need to work on research strategies was agreed.

There was a feeling that we would benefit from forming certain strategic alliances. Last but not least, it was agreed that BIDPA needed to pay more attention to "the bottom line" and our financial goals.

56. Committees were formed to drive the work under the various headings and progress would be considered at a later stage.

57. Although the time left to the Millennium change is considerable, BIDPA started its work to become Y2K compliant at the end of the year under review.

58. We are getting ^{too} big for the space at Tshomarelo house. Assistant Research Fellows

has had to move into open plan offices.

59. A midterm review of BIDPA financing by the African Capacity Building Foundation for the period 1995-2000 was announced but had not taken place by April 1999.

60. Staff movements between 1 April 1998 and 31 March 1999 were:

Resignations:

Per Granberg (August 1998).

Appointments:

Kennedy Mbekeani, Senior Research Fellow, International Economist (July 1998).
Keith Jefferis, Senior Research Fellow, Macro and Financial Economist (June 1998).
Tiro Kayawe, Assistant Research Fellow (July 1998).

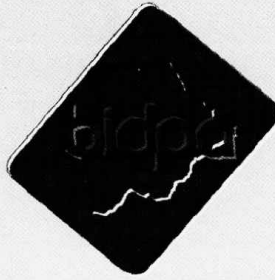
Grace Tabengwa, Assistant Research Fellow (August 1998).

Gape Kaboyakgosi, Assistant Research Fellow (August 1998).

Kebabope Laletsang, Assistant Research Fellow (January 1999).

Tsabatho Kongela, Switchboard Operator (April 1998).





**ABRIDGED
ANNUAL REPORT**

1998 - 1999

FINANCES

**Deloitte &
Touche**



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P.O. Box 778
Barclays House
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Botswana

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REPORT OF THE INDEPENDENT AUDITORS

TO THE SPONSORS OF THE BOTSWANA INSTITUTE FOR DEVELOPMENT POLICY ANALYSIS

We have audited the accompanying financial statements of the Botswana Institute for Development Analysis set out on pages 4 to 12 for the year ended 31 March 1999. These financial statements responsibility of the Institute's trustees. 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 that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We have examined the books, accounts and vouchers of the Institute to the we considered necessary and have obtained all the information and explanations which we require' have satisfied ourselves as to the existence of the securities. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- the Institute has kept proper books of account with which the financial statements are in agreement
- the financial statements give a true and fair view of the state of the Institute's affairs at 31 March and of the results of its operations and its cash flows for the year then ended in accordance International Accounting Standards.

Deloitte & Touche

Date: 20 August 1999

**Deloitte Touche
Tohmatsu**

Resident Partners: V R. Sanders, F Caetano, F.C. Els, M. Marinelli, J.Y. Stevens, R.S. Tilney
Non Resident Partners: A list is available for inspection on request

INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 1999

	Notes	1999 P	1998 P
INCOME			
Grant Revenue	1	6,129,165	1,771,779
Project Revenue		1,607,392	1,194,143
Other Operating Revenues		101,891	48,065
Interest Received		174,641	80,950
		<u>8,013,089</u>	<u>3,094,937</u>
EXPENDITURE			
Staff Costs		4,169,403	2,779,181
Office Operating Costs		1,969,933	1,483,198
Library & Information Services		149,941	158,529
Publications		35,505	17,502
Conferences & Seminars		22,822	8,484
Depreciation		348,464	281,636
		<u>6,696,068</u>	<u>4,728,530</u>
SURPLUS/(DEFICIT) FOR THE YEAR		1,317,021	1,633,593
ACCUMULATED FUND at the beginning of the year		1,487,884	3,121,477
ACCUMULATED FUND at the end of the year		<u>2,804,905</u>	<u>1,487,884</u>

BALANCE SHEET

31 March 1999

	Notes	1999 P	1998 P
FUND EMPLOYED			
ACCUMULATED FUND		<u>2,804,905</u>	<u>1,487,884</u>
EMPLOYMENT OF FUNDS			
FIXED ASSETS			
	2	564,178	637,696
CURRENT ASSETS			
Work in Progress		474,542	1,400
Accounts Receivable	3	909,049	804,931
Short Term Investments		500,000	-
Bank and Cash Balances		1,232,347	774,407
		<u>3,115,938</u>	<u>1,580,738</u>
CURRENT LIABILITIES			
Accounts Payable	4	875,211	730,550
NET CURRENT ASSETS		2,240,727	850,188
		<u>2,804,905</u>	<u>1,487,884</u>

NOTES TO THE FINANCIAL STATEMENTS

31 March 1999

	1999	1998
1 GRANT REVENUE		
Botswana Government	3,700,000	-
NORAD	-	736,217
African Capacity Building Foundation (ACBF)	<u>2,429,165</u>	<u>1,035,562</u>
	<u>6,129,165</u>	<u>1,771,779</u>

NORAD has provided NOK 12 million in terms of an agreement between the Government of Botswana and Norway which expired on 31 March 1998. The Botswana Government has pledged financial support to match the ACBF contribution. The ACBF have agreed to disburse US\$ 3 million over 5 years according to the provisions of the agreement with the Government of Botswana.

2 FIXED ASSETS

	Cost	Accum Depn	NBV	NBV
Motor Vehicles	66,804	66,804	-	16,701
Office Machines	174,830	112,238	62,592	56,801
Computers	618,350	493,586	124,764	189,617
Furniture & Fittings	487,364	167,924	319,440	330,380
Household Furniture	17,314	13,261	4,053	7,516
Library Books	<u>311,587</u>	<u>258,258</u>	<u>53,329</u>	<u>36,682</u>
	<u>1,676,249</u>	<u>1,112,071</u>	<u>564,178</u>	<u>637,696</u>

The sponsors have agreed to finance these assets as follows :

NORAD	719,098
ACBF	687,154
Botswana Government	268,647
BIDPA	<u>1,350</u>
	<u>1,676,249</u>

3 ACCOUNTS RECEIVABLE

Professional Fees and Disbursements	690,958	634,496
Deposits	48,100	42,600
Sundry	48,306	19,947
Prepayments	<u>121,685</u>	<u>107,888</u>
	<u>909,049</u>	<u>804,931</u>

4 ACCOUNTS PAYABLE

Trade Creditors	17,081	8,550
Gratuity Provision	765,720	472,199
Accruals Expenses	27,237	146,738
Audit Creditors	11,660	11,753
	<u>53,513</u>	<u>91,310</u>
	<u>875,211</u>	<u>730,550</u>

7

EFFECTS OF THE EU-SA PROTOCOL ON THE BLNS ECONOMIES: Main findings from an IDS/BIDPA Study

61. The objective of the study was to assess the likely impact of the EU-RSA free trade agreement (FTA) on the economies of Botswana, Lesotho, Namibia and Swaziland (BLNS), and to put forward recommendations which will enable the BLNS states to maximise the expected dynamic benefits whilst also minimising any potential adverse effects.

Effects on Government Revenue

62. Estimates from the study show that the common revenue pool would be reduced by 31% if tariffs are not reduced on protocol products, and by 51% if tariffs on protocol products are also reduced to zero (see Table below). The impact on government revenue indicates that the four countries will not be affected to the same degree.

63. The estimates from the study are that the pool would be reduced by 31 percent. Botswana, which depends least on SACU revenue (17.1 percent of the total revenue), will be least affected and its total revenue will fall by only 5.3 percent. Namibia whose customs revenue is 27.6 percent of its total revenue will see its total revenue decline by 8.6 percent. Swaziland and Lesotho which are highly dependant on SACU revenue (44.8 percent and 41.7 percent of total revenue, respectively) will be the most affected. Swaziland's total revenue will decrease by 13.9 percent while Lesotho's will decrease by 12.9 percent.

Effect on the Industry

64. The impact will be quite uneven across industrial sectors. Some products already enter SACU duty-free from the EU, and for these there will effectively be no change in the

competitive environment. Similarly for BLNS exports to the EU where similar SA exports are not at present subject to tariffs. Obviously, the industry sectors that will be most seriously affected are those that are at present subject to the highest levels of tariff protection.

65. Products that were specifically mentioned in the BIDPA-IDS study during interviews with firms as likely to have major problems competing with duty-free EU imports in South Africa include the following:

Botswana: denim & polyester cloth, clothing, pasta & biscuits, cars.

Swaziland: refrigerators.

Lesotho: televisions, umbrellas.

Namibia: wheat flour, meat.

66. The study identified BLNS exports to the EU that will face increased competition. They include: Preserved fish (especially frozen hake); grapefruit; grapes; processed; pineapples; and clothing.

67. The study also identified items that will face increased competition within SACU. The items include: fish, fresh fruit and vegetables, vegetable oils, meat preparations, chemicals, plastics, rubber articles, leather goods, textiles, clothing, footwear, ceramics, glass, iron and steel, and vehicles.

Policy Recommendations

68. The changes in the competitive environment will lead to transitional output loss associated with unemployment and enterprise closure, including that resulting from the reallocation of capital and increased EU and South African competition. The EU-SAFTA will pose adjustment problems for BLNS which it would be

Dependence on SACU revenue and budget deficits as a percentage of GDP (annual averages: revenue dependence 1990/91-1995/6, budget surplus/deficit 1990-95)

	SACU revenue as % of total a	Fall in total revenue if SACU revenue pool falls 31% a	Fall in total revenue if SACU revenue pool falls 51% a	Budget surplus/deficit as % of GDP
Botswana	17.1%	-5.3%	-8.7%	+ 5.0%
Lesotho	41.7%	-12.9%	-21.3%	- 4.5%
Namibia	27.6%	-8.6%	-14.1%	- 6.9%
Swaziland	44.8%	-13.9%	-22.8%	- 0.5%

Note:

(a) Assumes that all protocol items have their tariff rates reduced to zero.

Source: IDS-BIDPA Study

appropriate to raise with foreign aid donors. Since these are additional to the economic and development issues addressed by current aid programmes, it is appropriate for any support to be additional to currently agreed levels.

69. The most clear-cut area in which foreign assistance would be helpful is in the medium-term task of adjusting to a new revenue base and the associated need to rethink some aspects of public sector management. It was recommended, therefore, that foreign assistance be considered for:

* a detailed survey of the revenue options

available to BLNS in view of the likely decline in trade taxes;

* the design and implementation of new tax systems, and the design and setting up of independent tax authorities;

* technical assistance for the implementation of any new system and the associated training required;

* capital assistance (for example to establish information systems) in order to make a new system operational;

* a review of public sector management and the identification of possible areas for commercialisation and privatisation.



**Annex 1
Overview of Publications**

BIDPA Working Paper 17

Jefferis, Keith, Charles Okeahalam and Tebogo Matome
International Stock Market Linkages in Southern Africa. BIDPA, January 1999.

Stock markets are taking on an increasingly prominent role in financial development, and many developing and transition economies are establishing stock markets as part of financial reform processes. In theory stock markets can contribute to the mobilisation of savings and the allocation of investment, but there are questions as to whether this works in practice. One important issue is whether stock markets are efficient (in the financial sense), and a related question is whether share prices reflect economic fundamentals; both of these questions are important in addressing whether stock markets properly allocate capital. Another issue relates to the question of international linkages between markets: with greater integration of capital markets globally, financial market developments appear to be rapidly transmitted between markets around the world. While this can have beneficial impacts, in terms of improving the global allocation and pricing of capital, it may be disruptive if international capital flows are large relative to national markets and economies. The paper addresses pertinent issues in the context of stock markets in three southern African countries: Botswana, Zimbabwe and South Africa.

BIDPA Working Paper No. 18

Duncombe, Richard
The Role of Information and Communication Technology in Small and Medium Enterprise Development in Botswana. Results of the pilot phase of a project sponsored by the UK Department for International Development (DFID) & Institute for Development Policy and Management.
The University of Manchester/ BIDPA, October 1998

The paper analyses the role of information and communication technologies (ICTS) in small and medium enterprise (SME) development in Botswana. It outlines the economic and policy background to SME development, and presents an analysis of the SME sector with regard to firm size, location and market sector. It presents the results of a pilot survey of firms in the SME sector examining the information and communication practices of a small sample of firms. Current developments in information and communication technologies are outlined, and some preliminary findings relating to ICT impact on SMEs are summarized. Finally, some policy considerations are mentioned and the objectives of the main fieldwork phase of the project are outlined.

BIDPA Working Paper No. 19

Harvey, Charles
The impact on Southern Africa of the financial crises in Asia and Russia.
BIDPA 1999

The countries of southern Africa have not suffered seriously from "financial contagion", which is the short-term and sometimes devastating impact of financial crises in other countries. The first stage of financial contagion occurs through the markets for foreign exchange, shares and bonds. The second stage, which can be even more devastating, occurs if trouble in financial markets causes a crisis in the country's banking system, as happened in several Asian countries. South Africa's economy is potentially the most vulnerable in Southern Africa to financial contagion, because it has highly developed financial markets which are open to inflows and outflows of foreign capital. However, the economic cost of financial contagion has been limited in South Africa because the country's banking system is sound. Zimbabwe has been similarly protected from the worst effects of financial contagion. Financial markets in the other countries of Southern Africa are very underdeveloped, which limits the first stage of financial contagion; this is fortunate, because some of them have unsound banking systems.

All of these countries are actively trying to develop their financial sectors, however, so that their relative immunity to financial contagion may be reduced in the future. This will

strengthen the case for maintaining macroeconomic balance, realistic exchange rates, and absolutely sound banking systems.

BIDPA Working Paper No. 20

Jefferis, Keith

The Long Term Impact of Structural Economic Change on Government Spending. Oxford Development Studies, Vol: 27, No. 2, 1999.

Botswana's current economic objectives centre on diversification away from its historical dependence on diamonds and government. Such diversification will change the structure of the economy, and has important implications for the ability of government to raise revenue through taxation and therefore for its ability to finance its expenditure. This paper explores the likely impact of diversification on government's revenue raising ability and hence on the magnitude of its overall role in the economy. It uses projections over a 20-year period to simulate possible scenarios for taxation and the size of government. The key point is that any diversification will cause government revenues to fall, in relative terms. The diamond sector is extremely profitable, and those profits are taxed at a very high rate; as the economy diversifies, other sectors will emerge that will be less profitable and less highly taxed. The projections in this paper show that under a variety of different assumptions about sectoral growth rates, and taxation and spending, government will have to significantly reduce its role in the economy. Such a change will have major implications for choices to be made about the allocation of public expenditure.

Conference Papers and other Presentations

1. Gergis, Abdalla

On Making a Privatisation Policy: Basic Concepts.

A Paper prepared and presented to the Task Force on Privatisation Policy for Botswana established by the Ministry of Finance and Development Planning (November 1997-

August 1998).

2. Harvey, Charles

Globalisation and human rights

A Paper presented at a conference organised by Ditshwanelo on Human Rights and Democracy in Botswana, (1998).

4. Harvey, Charles

Botswana's Road to Competitiveness in the New Millennium

Paper prepared and presented at the plenary session of National Business Conference 1998 in Francistown, also published in *Globalisation and International Competitiveness: Proceedings of the National Business Conference: Francistown, 1998.*

5. Harvey, Charles

The limited impact of financial sector reforms in Zimbabwe since independence

A paper presented at the conference held in Harare, Zimbabwe from 19th to 21st August 1998. The title of the conference was: *Zimbabwe: Macroeconomic Policy, Management and Performance since Independence (1980 - 1998) : Lessons for the 21st century.*

The paper reviews the post independence banking and financial reforms in Zimbabwe. It concludes that financial liberalisation in Zimbabwe achieved very little. Higher real interests did not stimulate more lending to small and medium scale enterprises. It observes that at independence, unlike most African countries, Zimbabwe already had a more developed financial system which, to a large extent, survived the post-independence period.

6. Jefferis, Keith

MISA Botswana

A Presentation on "Poverty in Botswana" to MISA as part of their series of workshops on Economic Journalism (January 14th 1999)

7. Jefferis, Keith

Ditshwanelo

Presentation on "Poverty in Botswana" made to Ditshwanelo Conference on Human Rights and Democracy in Botswana (November 1998)

8. Jefferis, Keith

Mmegi Publishing Trust:

Presentation on "Capital Controls and Exchange Rate Policy: Lessons of the Asian Experience", MPT Seminar on Exchange Rate Policy, Feb. 11th 1999

9. Jefferis, Keith,

BOCCIM Lobatse Branch:

Presentation on "Economic Aspects of the 1999 Budget", Budget Seminar Feb 10th 1999

10. Jefferis, Keith

First National Bank:

Presentation on "Financial and Monetary Aspects of the 1999 Budget", FNB Budget Breakfast Feb 9th 1999

11. Jefferis, Keith

Bank of Botswana:

A Presentation on "Flow of Funds Analysis: The Case of Botswana", made at the Bank of Botswana Conference on Savings and Investment held in November 1998

12. Jefferis, Keith

Bank of Botswana:

Presentation on "Constraints on Financial Intermediation in Botswana", Banking Week, Feb. 1999

13. Mbekeani, Kennedy

Key Features of the EU-RSA Agreement

A paper prepared for the European Union-Republic of South Africa (EU-RSA) Workshop. (Workshop details)

The paper outlines key issues in the EU-RSA Agreement. It also provides an outline of areas of concern to the BLNS countries.

14. Mbekeani, Kennedy

Development Assistance in the EU-RSA Agreement

A paper presented at the European Union-Republic of South Africa (EU-RSA) Regional Workshop. (Workshop details)

The paper provides a critical analysis of the

Development Co-operation aspect of the EU-RSA Agreement.

15. Mbekeani, Kennedy

Obstacles to Foreign Investment in Southern Africa

Paper presented at the 1999 Trade and Industrial Policy Secretariat (TIPS) Annual Forum (Johannesburg) and the 1999 Annual African Investment Conference (Cape Town).

The paper examines the most critical reforms for promoting foreign direct investment in Southern Africa. These include: reforming the tax system, reducing red tape and bureaucratic corruption, improving capital market and physical infrastructures, improving the quality of the work force, and creating a stable political and macroeconomic environment that will improve the image and reputation of the region.

16. Gergis, Abdalla

Some Elements of Privatisation Policy in Botswana.

A Paper prepared and presented to the Task Force on Privatisation Policy for Botswana established by the Ministry of Finance and Development Planning (November 1997-August 1998).

17. Harvey, Charles

Banking in Zimbabwe: the impact of financial sector reform since independence, with special reference to indigenous financial institutions"

1998, paper for University of Zimbabwe conference

BIDPA Publication Series

**Jefferis, Keith ,
The BIDPA Briefing**

Establishment of the quarterly publication. Four issues were published; third and fourth quarter of 1998, and two special issues on Small and Medium Scale Enterprise (SMME) Policy and the 1999 Budget.

BIDPA Publication 5

Jefferis, Keith and Kelly, T.F.
"Botswana : Poverty amid plenty".
Oxford Development Studies, Vol. 27,
No. 2, 1999.

Botswana has been one of the most rapidly growing economies in the world over the past three decades, and has avoided most of the economic problems faced by African countries.

However, Poverty continues to be a major economic and social issue. Data from national surveys carried out in 1985/86 and 1993/94 show that although there was a major reduction in poverty over this period, by the early 1990s over one-third of households still had incomes below the relevant poverty line. The article uses the 1990s over one-third of household survey data to analyse the cause of poverty. It reports on the results of cross - section regressions relating household poverty to various demographic and economic characteristics. Poverty is measured by the standard binary (poor, non-poor) approach, as well as a poverty status index. The latter measures a variation on the depth of poverty, through a weighted ratio of household consumption to its poverty line. The results show that the probability of poverty is positively

related to being located in a rural area and having a female head of households, and negatively related to being located in a rural area and having a female head of household, and negatively related to years of schooling and being employed. Employment appears to have the greatest single impact on poverty, Followed by rural location and female gender with roughly the same effects. The paper concludes with suggestions for changes in the focus of poverty alleviation strategies, which should move away from the traditional drought relief approach to more permanent welfare support for poor households, with a focus where possible on employment generation.

BIDPA Publication 6

Harvey, Charles
"The impact on Botswana's economic prospects of the ending of apartheid".
Lennart Petersson (editor) Post-apartheid South Africa: economic challenges and policies for the future (Routledge, 1998)

During the first twenty-five years of independence, Botswana was registering the world's fastest economic growth rate. The



rapid economic growth ended at about the same time as the South African apartheid error. The paper investigates the impact of the end of apartheid on Botswana's economic growth, concluding that Botswana was not seriously affected by apartheid therefore the end of apartheid is less likely to make a significant impact.

BIDPA Publication 7

Harvey, Charles

"Trade policy developments in Southern Africa: impact on the BLNS countries" In Globalisation and international competitiveness: Botswana towards 2016 Proceedings of the National Business Conference 1998, BOCCIM)

The paper was presented to the National Business Conference held in Francistown from 25th to 27th October 1998. It discusses the potential impact of the proposed Free Trade Agreement between the European Union and South Africa on Botswana. The discussion states

that the negotiations could have a profound impact on Botswana and the other BLNS countries.

BIDPA Publication 8

"Is Southern Africa Ready for Monetary Union and a Common Currency?" (Business & Financial Times, February 1999)

The article discusses the feasibility of a monetary union and adoption of a common currency in Southern Africa. It defines monetary union and discusses the economic prerequisites for the union. It highlights pros and cons of a monetary union and assesses the Southern African situation. The article concludes that the monetary union in Europe was achieved because of the conducive political as well as economic conditions and that any countries contemplating similar projects should start working on establishing both the necessary political and economic conditions which might take up to a generation to achieve.



Consultancy and Research Reports

Jefferis, Keith

Briefings for Stockbrokers Botswana Ltd

"A briefing on International Diamond Market Developments and their Impact on the Botswana Economy." "A briefing on Savings and Investment."

Jefferis, Keith

The Impact of Economic Fundamentals on Stock Markets in Southern Africa (Bank of Botswana Research Bulletin, April 1999)

A.G. Heilemann, G. Kaboyakgosi, M. Marope, C. Sharp, B. Tsie
Consolidating Local Democratic Governance in Botswana: Lessons from DDSS V: 1994 - 1997: Evaluation report, Gaborone December 1999.
Swedish International Development Agency (SIDA)

An international team organised by BIDPA conducted the last and final annual review of the District Development Sector Support Programme in November 1997. The Team's Mandate was to evaluate development co-operation between SIDA and the Government of Botswana on District Development Sector Support Programme-Phase Five, (DDSS-V) and

- * assess the relevance, results, impact, and sustainability of the DDSS V programme.
- * provide the Botswana Government with recommendations to further promote decentralisation in Botswana
- * Provide SIDA with information for use in relation to its support to decentralisation programmes in other co-operation countries.

The Report consists of six chapters. The first chapter looks at the entire DDSS Programme in historical perspective with particular emphasis on the developmental objectives of phase five of the programme. This is followed by a short chapter on the Theory and Practice of decentralisation in Botswana. The chapter seeks



to clarify key concepts surrounding the notion of decentralisation. These are then operationalised within the specific context of Botswana in order to see how decentralisation works in practice.

Chapter Four presents the Team's findings on DDSS-V. It assesses the relevance, results, impact and sustainability of the five programme components and the fifteen projects and sub-projects subsumed under them. It is the basis for conclusions and recommendations to the Government of Botswana, which are dealt with at length in chapter five. The last chapter, again based on the Teams' findings, is devoted to lessons derived from DDSS-V for SIDA in its future decentralisation co-operation agreements in Sub-Saharan Africa.

Harvey, Charles
The 1999 Botswana Budget

Analysis and summary of the 1999 national budget to Stockbrokers Botswana, 1999)

Harvey, Charles
Status review of the Botswana economy

A presentation made to Kellogg Foundation in 1998 .

Harvey, Charles
The fragility of African commercial banking systems

A presentation made for Oxford Analytica.

Harvey, Charles
Evaluation of DFID assistance to the South African Government

The evaluation was done through the Centre for

Research into Economics and Finance in Southern Africa (CREFSA), London School of Economics" (DFID Pretoria).

Harvey, Charles
Banking and Finance

A short write-up done by BIDPA Senior Research Fellow for Encyclopaedia of African History

Harvey, Charles
Botswana: Independence: economic development and Southern African politics

Contribution made by BIDPA Senior Research Fellow for Encyclopaedia of African History

Gergis, Abdalla
Draft White Paper on A Policy on Privatisation

in Botswana, July 1998. Prepared for the Ministry of finance and Development Planning.

Jefferis, Keith
Short consultancies and presentations to Private sector

Presentations were made to senior management of the following: Standard Chartered Bank, Cash Bazaar, BIFM following short consultancies on economic issues; economic trends and developments in Botswana and the Southern African region.

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