

BOTSWANA INSTITUTE FOR POLICY ANALYSIS

(BIDPA)



Annual Report
1997 - 1998



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:

1. Promote and conduct research, analysis and publication on development policy issues which are of relevance to Botswana and the Southern African region.
2. 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.
3. Offer advice and consultancy services to agencies of Government and other clients under suitable contractual and other arrangements.
4. Provide technical and financial assistance, directly or indirectly, to individuals and organisations in Botswana as deemed desirable for purposes of facilitating policy analysis.
5. 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.
6. 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.
7. 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.
8. Mobilise and administer funds to be used for achievement of the objectives and performance of the functions of the Institute.



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BIDPA



Botswana Institute for Development Policy
 BIDPA
 Book

Annual Report Box



INTRODUCTION

During our third year, institution building - the main theme of the two first years of BIDPA's existence - has faded. We are nearly up to full planned strength and now occupy the entire space available on the fourth floor of Tshomarelo house. Despite several ideas for improvement, our first strategic planning workshop clearly gave the impression of consensus among researchers, clients and Board that BIDPA is on the right track.

Two Board Members have ended their services to BIDPA in the course of the year. Quill Hermans left his position as Governor of the Bank of Botswana. Modiri Mbaakanyi, who was the Managing Director of BOCCIM left that organisation. They both represented their institutions on the BIDPA Board. We thank both of them for their unswerving support and good advice over the years they were with us and wish them the best of luck in their new activities.

Research and capacity building has been strengthened over the year, with a large number of new projects. An important achievement was our winning of a joint international tender with IDS Sussex for a study of the effects on the BLNS of the Free Trade Area now under negotiation between South Africa and the European Union. We were also very pleased when we were invited by the Government of Botswana to serve as the secretariat to a Task Force of 14 members to prepare a draft White Paper on "A Privatisation Policy for Botswana", alongside the Ministry of Finance and Development Planning.

The participation in the preparation of the first ever Botswana Human Development Report was a tremendously rewarding experience for three of our Assistant Research Fellows and our Research Fellow.

The National Workshop on the future of the EU/ACP relationship which we arranged in co-operation with the Ministry of Commerce and Industry, yielded a report which will undoubtedly be helpful for Botswana in setting the scene for the negotiation of the new style Lomé agreement.

A main feature of BIDPA's capacity building is our sponsorship of Masters and Doctorate programmes. During the 1998/99 year we will increase our efforts in this area and will have 5 Assistant Research Fellows studying for their Masters degrees. One BIDPA Fellow will be studying for a Doctoral degree. Three more students will benefit from the BIDPA Doctoral programme which accepts two new students each year based on national competition.

Financially, BIDPA has performed as well as last year, but has not increased its degree of cost covering in line with our ambitions. The reason for this has mainly been that some major projects for Government clients have been slow in coming. We expect that the situation will improve significantly when these major projects come on stream.



POLICY RESEARCH AND CAPACITY BUILDING

BIDPA's two main areas of focus are policy research and capacity building. We find it both useful and necessary to stress the close link between the two. The emphasis is useful because real work experience under proper supervision is a very effective way of learning. The approach is necessary because without using the younger staff in income earning activities, BIDPA will fall short of its financial objective to break even by the year 2000.

Formal classroom training does not play a major role at the Institute. We believe that clear responsibilities for training and coaching given to supervisory staff will give the best results in the long run. We have adopted both the giving and receiving of training as important components of our performance pay system.

a. Policy Research and Related Activities

BIDPA's research and related activities remain focused on three main areas: "Incomes, Welfare and Poverty"; "Macroeconomic Forecasting, Projections and Planning"; and "Structural Change in Botswana's Economy".

Within these areas, BIDPA over the year under review completed 31 projects, big and small. At the end of the period another 10 projects were in different stages of planning, half of them with prospects of outside funding.

i. Incomes, Welfare and Poverty

BIDPA has completed a variety of projects in the area of incomes, welfare and poverty. One major effort that occupied four

Research / Assistant Research Fellows for several months was the preparation of the Botswana Human Development Report led by Maendeleo Botswana Pty (Ltd) and contracted by the UNDP. The study is path breaking in character, applying the paradigm of sustainable human development of the UN Human Development Report to the situation in Botswana. It lays a solid analytical and data foundation for reports to come and, in the words of Hon. Kedikilwe, Minister of Finance and Development Planning, "...provides valuable complementary policy material to our Eighth National Development Plan 1997/98 - 2002/3 (NDP 8) and our Vision 2016."

For BIDPA, the experience for the researchers involved and the building up of a database of key socio-economic data was as important as the publication itself.

BIDPA has also supported the Botswana Society in updating and improving an annotated "Bibliography on Quality of Life in Botswana", the first version of which was prepared by Phaleng Consultancies Pty Ltd as a contribution to the Botswana Society symposium in 1996. The Bibliography contains 586 entries with keywords, author index and subject index. An article at the beginning of the volume examines issues and research in various areas like the distribution of household incomes and assets, employment and unemployment, remote area dwellers, food security, access to health facilities and education, minimum wage legislation, human rights, crime, and environmental issues.

In October / November 1997 BIDPA hosted an IFAD team of six experts that studied various aspects of community based natural resource management. A Research Fellow



worked with the team and contributed to the analysis, particularly in the areas of poverty and poverty alleviation and institutional issues. Two assistant research fellows worked with the team on data collection and logistics.

A BIDPA team assisted UNICEF in analysing the 1997 Family Health Survey. The analysis focused on the prevalence and causes of common childhood diseases in Botswana, the coverage of immunisations, nutritional status of children and breast-feeding practices.

A paper by two BIDPA researchers for an international conference focuses on the links between democracy and poverty. Since democracy implies participation, the degree of democracy should have an impact on the extent and character of poverty alleviation. The paper covers political participation, access to markets, employment and income generating opportunities, access to education, access to health and housing and considers to what extent people had an active and sustained role in determining how benefits were generated and distributed.

ii. Macro Economic Forecasting and Planning

The main accomplishment in this field has been the conclusion of the project on "Managing good fortune, Macroeconomic Management and the role of Aid in Botswana" the start of which was reported in last year's annual report. In this project, BIDPA played a catalytic role for two researchers from the University of Botswana and one from the Chr. Michelsen Institute of Norway. The project report contains an interesting blend of analysis with history, public administration and economics forming the professional cornerstones. The volume comprises an analysis of the preconditions for the planning system, its nature and evolution, and the integration of aid into the system. It also considers the balance between "good management" and "good fortune", the process whereby Botswana over the years has gained more discretion in its macro management, and puts the country's growth performance in a comparative perspective.

In preparation for the possibility of a substantive study on Minimum wages in Botswana, a literature review was prepared. The paper focused on the possible effects of minimum wages being introduced for Domestic workers and agricultural workers, outlining results from past studies.

The prospects for transforming Botswana's diamond-led economy, was examined in a paper given by a Senior Research Fellow at an international conference in Lusaka. The paper argued that Botswana's short term growth prospects are good, but that the model of economic growth and development of the past 30 years can no longer be relied upon. Future growth must depend on sus-

tained expansion of non-traditional exports, mostly arising from foreign investment.

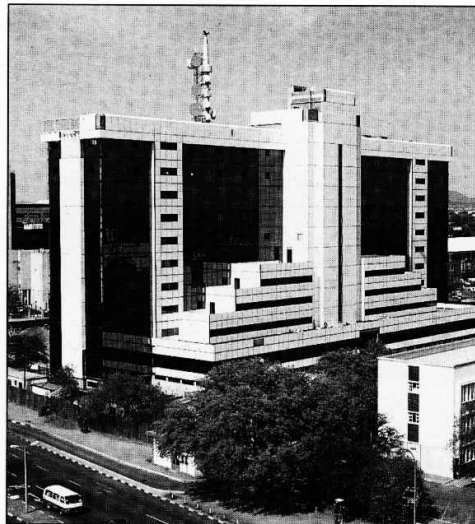
Together with Phaleng Consultancies, a Senior Research Fellow also prepared the Botswana country chapter of a study on financial sector reform and development in Southern Africa. The paper argues that, among other changes, the remaining exchange controls in Botswana could and should be abolished, that the Government should provide partial guarantees for commercial bank lending to SMEs. The implementation of policies already announced should be accelerated.

iii. Structural Change in Botswana

During the year, BIDPA has attempted to obtain financing for its research programme on structural change in Botswana. Several international research institutions have also been contacted for advice and co-operation. Although it appears that research institutions world-wide are interested in the programme, financing institutions have been slow in coming forward. In the meantime, some of the components of the programme have gone ahead under individual financing from clients.

A study on credit for small and medium scale enterprises was contracted as an input to a Government task force on the small enterprise sector. The study focuses on the success rate of earlier attempts to set up small scale financing schemes in Botswana and considers the balance between financing and other measures (for example training) to build the sector [Harvey 1997a].

Also on the small scale enterprise sector, a Assistant Research Fellow produced a



working paper on their "characteristics, sources of finance and problems". The study employed data collected by a survey of more than 2,500 small scale producers, carried out by the Ministry of Commerce and Industry. The purpose was to analyse such factors as the educational background of SME owners, exposure to business related training, geographic location, type of premises, age and size of enterprise sales and investment.

In 1997/98 regional and international trade issues played a greater role in BIDPA's activities than previously. In September 1997 BIDPA assisted the Ministry of Commerce and Industry in arranging a conference on the EU-ACP relationship. The proceedings from the conference is a BIDAP/MCI joint publication giving highlights from the conference. The volume presents contributions to a Botswana position during the anticipated EU/ ACP negotiations on a successor to the current Lomé Agreement which is due to expire by the year 2000.

On the technical assistance side BIDPA during the year teamed up with Trade Development Ireland and won a tender for support to Botswana Export Development and Investment Agency. BIDPA's role within the project will be to work with BEDIA and an external consultant on information technology and library issues.

The major task in the area of trade policy started during the year was "A study to Assess the Economic Impact of the Proposed European Union- South Africa Free Trade Agreement on Botswana Lesotho Namibia and Swaziland. The study was put out to international tender by the EU. BIDPA, in co-operation with the Institute of Development Studies (IDS), Sussex, UK won the contract. The project comprised three main analytical approaches: (a) Interviews with a selection of 45 BLNS companies thought most likely to be affected. (b) Modelling of the overall effects on each country in terms of output, employment and other key economic variables. (c) The application of a CGE model to assess how the FTA would affect the South African economy and what the economic policy responses from the South African authorities might be. Based on these analyses it would be possible to estimate the "ripple" effects through the SA economy on the BLNS.

Finally, on regional issues, BIDPA contributed a paper as background to a presentation by the Vice-President and Minister of Finance and Development Planning at a conference organised in Sweden in June 1997. The paper expressed scepticism about the contribution of regional co-operation to Africa's role in the global economy. It noted however, that Southern Africa might be an exception to this pessimistic view because of the need for South Africa's neighbouring



countries to have access to South Africa's market.

Work on industry and industrialisation has been kept up through some smaller projects. A Senior Research Fellow made an input to a study on the feasibility of an Ostrich abattoir. A brief paper on the South African "Motor Industry Development Plan" was produced, outlining the possible effects of South African policies on Botswana's budding automotive industry. A paper on the Tourist Industry is being prepared. Finally, we ought to mention a newspaper article in the local press on the role of stock markets by one of our Assistant Research Fellows presently studying in the USA. Although not a major research output we believe it illustrates that our staff members have Botswana at heart wherever they are.

A major task, occupying one Senior Research Fellow and several Assistant Research Fellows for the better part of a year has been the servicing of the Privatisation Task Force (jointly with the Ministry of Finance and Development Planning). The report was mainly drafted by BIDPA staff, and was delivered in July 1998. It will hopefully lead to more action by Government in this important and sensitive area.

b. Capacity Building

i. Formal Postgraduate Training

Capacity building through formal postgraduate training was furthered in two ways. First, training was provided for BIDPA staff. Two Assistant Research Fellows were financed to go on postgraduate courses in economics, one in England and one in the United States. It is expected that one or more Assistant Research Fellows will proceed to postgraduate courses abroad each year. In addition, a Research Fellow was provided with a scholarship for pursuing a PhD in England, and will start in October 1998.

Second, BIDPA was able to provide two PhD scholarships for non-staff members as part of the Doctoral Programme. It is very much part of BIDPA's mission to build the capacity for policy analysis in the country at large, as well as in BIDPA itself.

ii. Short Courses & Seminars

In addition to long term postgraduate courses, BIDPA staff attended a number of short courses. Subjects covered included training in accounting, the administration of electronic libraries and the building of Computable General Equilibrium (CGE) models. Periodic seminars were also held at BIDPA on policy issues, given by both BIDPA staff members and by others. Less formally, a number of distinguished Batswana were invited to BIDPA to talk about themselves, their careers as well as their views on various economic and social issues. These "Brown Paper Bag Lunches", have proved very popular with both the speakers and with BIDPA staff.



iii. Public Education

As part of its brief to participate in public debate on policy issues, BIDPA staff members wrote and spoke on a number of economic issues for the local press. Presentations were made to Stockbrokers Botswana, which circulates its briefing notes to a wide audience, to workshops and seminars, and to some private sector companies. Subjects covered included the budget, the current economic situation and prospects for continued growth, and the impact on the economy of the drastic fall in diamond sales by the Central Selling Organisation of De Beers.

iv. Other

At the regional level, BIDPA has worked with SADC to facilitate a workshop to discuss the establishment of a training programme for staff in statistics offices within SADC. The workshop was attended by heads of statistical offices from each SADC country, and by representatives from the European Union, and EUROSTAT, who will be financing part of the training programme. BIDPA was responsible for facilitating the workshop, for the production of the workshop report, and for logistical and practical arrangements.

COOPERATION WITH OTHER INSTITUTIONS

BIDPA's links to other institutions and persons widened and deepened during the year under review. Links were maintained with the former partners. On the external side we again worked with the Chr Michelsen Institute on the study on Aid and macroeconomic management. The relations with our sister institution (NEPRU) in Namibia have also been maintained. BIDPA and NEPRU are jointly seeking funds for a project on "Water in southern Africa".

In Botswana, BIDPA maintained its good relations with the University of Botswana, for example through arranging a conference on poverty with the Faculty of social Sciences as well as through support to undergraduate teaching. Relations with MFDP included some remaining work on the production of the NDP 8. The long awaited start of the macro-modelling project was taken several steps forward during the year. CSO has, this year as before rendered timely and helpful service, many times far beyond the "call of duty". As usual, the co-operation with the Ministry of Commerce and Industry has been good and included for instance the arrangement of a major national conference on the future of the EU/ACP relationship. The co-operation with BNPC this year was particularly inspired through the conference on Privatisation as well as a preliminary role for a BIDPA senior advising BNPC staff on a major project on productivity.

BIDPA's policy has long been to develop links with those parts of government that take an interest in economic policy work. Such links are important to improve BIDPA's awareness of current policy issues and to build efficient forms of co-operation between researchers and policy makers. During the year contacts were made with the



Ministries of Agriculture, Local Government Lands and Housing and Labour and Home Affairs.

We have also extended our reach in co-operation on the international scene. During 1997/98 this included communication with representatives of the Harvard Institute for International Development (HIID) on their possible role in BIDPA's research Programme for Structural Change. Discussions also took place with the Malaysia Institute for Economic Research (MIER) about a co-operation arrangement covering several aspects of the work of the two institutions.

Project co-operation with international and national consultancy firms and institutes has become an increasingly important feature of BIDPA. This year potential projects have been discussed with Leruo (Botswana), Ecosystems Consultants (Kenya), Abt Consultants (USA), Nathan Associates (USA) and several others.

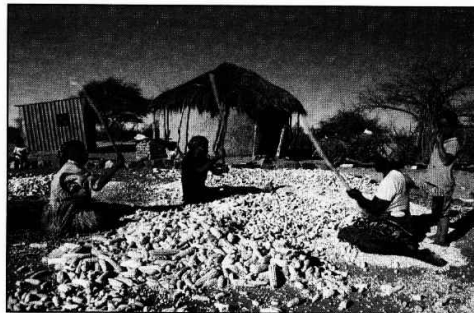
In two cases, BIDPA has won tenders jointly with such international firms. With Trade Development Ireland we won a contract on technical assistance to BEDIA and with IDS Sussex we secured a contract for a major study on the effect of the EU SA FTA on the economies of Botswana, Lesotho, Namibia and Swaziland.

SEMINARS AND CONFERENCES

During the year, BIDPA staff were involved in a number of seminars and conferences, both as participants and as organisers. The events where BIDPA played a major role as an organiser were: a Conference on the future of the EU / ACP relationship (with MCI); a conference on privatisation (with BNPC); and an international workshop on Poverty and the Role of the State in Poverty Alleviation in southern Africa (with UB and "Comparative Research on Poverty", CROP).

BIDPA staff have participated in a large number of seminars, for example: Food Agriculture and Natural Resources Policy Consortium for Southern Africa (Harare); and Southern African Trade and Investment Summit (Gaborone).

A number of Policy Research Seminars have been held, covering topics from Community



Based Natural Resource Management to the Use of Information Technology in small and medium scale firms in Botswana.

To increase BIDPA's interface with the public, we participated in the major trade fairs held in Gaborone, BITEC and BITF. The experience from BITEC was very positive and is likely to lead to greater contact and more consultancy work for the private sector.

INSTITUTIONAL DEVELOPMENT

a. New Library System

During the year, BIDPA replaced its library system with a new system called ADLIB, and there has been considerable effort expended in converting data from the old system into the new.

The library continues to tap information from beyond its physical walls. Professional networks have been established both locally and abroad. BIDPA library has been asked to be one of the test sites for a document

delivery pilot service to be run by the British Library of Development Studies. BIDPA will be co-ordinating requests, deliveries from local libraries and giving quarterly reviews of the project.

b. Information Systems

BIDPA continues to maintain the philosophy that information technology should be at the centre of an efficient and modern organisation. As a result of this thinking, BIDPA strives to improve the state of Information Technology within the Institute.

One of the resources that is most widely used is the internet. BIDPA has now had its internet server up and running for some time. We intend to share our excess capacity for the internet with a limited number of paying users. This will be done in order to help minimise the cost of internet access for BIDPA.

In its drive to exploit fully the new technologies, the Information Systems Unit has just started a BIDPA intranet site, the prototype of which has been posted for previewing by staff.

c. BIDPA Retreat

During early December 1997 BIDPA spent two days at the Mokolodi Game Reserve to discuss, evaluate and review our progress. Co-operating partners, "Old friends", clients and potential clients were invited on the first day to give us an impression of how they saw BIDPA and what we could do to improve

on our performance. The second day was used for discussing internal matters.

We concluded that we are on the right track in the development of our institution, but that there are a number of areas where we could do better. One important observation was that we were not yet as well known in Botswana, as we really should be.

d. BIDPA Research Database

Work has begun to collect all of the data from various sources that has been used in BIDPA's research or elsewhere into a searchable catalogue that can be used as a future public resource. Further data sources will be added as soon as sufficient storage capacity has been added to our current computer network. BIDPA has already incorporated a database formerly maintained by the Botswana Confederation of Commerce, Industry and Manpower (BOCCIM).

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HIGHLIGHTS FROM THE REPORT ON PRIVATISATION POLICY

1. During the 1990s, there has been a growing realisation among Batswana that, in certain cases and under certain conditions, privatisation could be a useful policy instrument to bring about desirable national benefits. Moreover, private sector participation in economic activities has increased and Government policies and programmes have been focusing on complementing activities of the private

sector rather than on establishing public commercial enterprises.

2. *The impetus for privatisation has come from a desire to improve efficiency in the delivery of services and from the need to create further opportunities for the growth of the private sector. This makes Botswana rather different from many other countries, where the impetus for*

privatisation has often come from a need to boost government finances, and to end subsidies to a large, loss-making public enterprise sector. In such cases, privatisation is often part of broader economic stabilisation or structural adjustment programmes sponsored by international financial institutions. Privatisation in Botswana should therefore be seen as part of a deliberate shift towards greater market orientation of economic policy rather than as a solution to an immediate financial, economic or political crisis.

3. In its effort to adopt an official policy on privatisation, the Government established a Task Force of 14 members to prepare a draft White Paper on "A Privatisation Policy for Botswana" that reflects the views of all interested stakeholders. BIDPA was requested to act alongside the Ministry of Finance and Development Planning (MFDP) as a Joint Secretariat to the Task Force. The work of the Task Force took place over a period of eight months beginning on the week starting the 10th of November, 1997.
4. The Task Force has concluded *that Privatisation has considerable scope for improving economic efficiency and productivity, and therefore for raising economic growth rates, thereby boosting living standards and incomes.* To date, the potential of privatisation has hardly been tapped in Botswana, and it should be pursued as a central element of the nation's development strategy during the NDP8 period and beyond.

Among the recommendations made by the Task Force are:

- The public sector should largely relin-



quish its role in the provision of goods and services which can be provided by the private sector and seek instead to facilitate and where necessary regulate the operation of business by the private sector. The interaction between government and the private sector should be transformed into a "Smart Partnership" of co-operation and complementarity emphasising 'win-win' situations.

- Government and the private sector should co-operate with regard to promoting an entrepreneurial, risk-taking culture that fosters successful business start-ups. A better understanding between the private business sector and the public sector would be assisted by exchanges of personnel and attachments between entities in the two sectors. The exchanges and attachments of this kind should be initiated.
- For any programme of privatisation and corporatisation to be successful in Botswana, certain conditions should be satisfied. These are:
 - A strong political commitment to the



implementation of the programme;

- An appropriate legal framework;
 - An effective supervisory or regulatory framework;
 - Reforms to management systems including the introduction of accruals accounting;
 - The public service and employees of public enterprises will need to understand the rationale behind such reforms and to be supportive of their implementation;
 - The potential benefits (and costs) of such reforms will need to be explained to the general public;
 - Transparency must be ensured in all privatisation actions.
- While privatisation and public sector reform are important in boosting productivity and economic efficiency, the role of government should not be reduced to the extent of sacrificing Government's social responsibilities.
 - Privatisation should be implemented in a

phased and flexible manner. Across-the-board rules should be avoided, with the best method of implementing privatisation decided on a case-by-case basis.

- A solid communications programme should support privatisation not only by enhancing the transparency of the process but also by dispelling many of the misconceptions that the public may have about privatisation.
- Botswana should be educated on how to empower themselves and not to wait for Government hand-outs. Training and development of managerial skills should be emphasised and citizen participation in the ownership of shares in the equity of any privatised entity should involve the use of the individual's own savings for the payment of at least part of the purchase price.
- An appropriate and effective regulatory environment needs to be developed for the post-privatisation environment. This is particularly relevant for enterprises which are natural monopolies, when they are transferred to the private sector. A single, umbrella regulator covering all sectors is more appropriate than individual dedicated regulators for each privatised sector. This is partly a reflection of the scarcity of trained, specialised manpower in Botswana.
- An autonomous public agency should be created, named Public Enterprise Monitoring and Privatisation Agency (PEMPA), accountable to the Minister of Presidential Affairs and Public Administration in the Office of the President. PEMPA should be established as a company with a board of directors

drawn mainly from the private sector (particularly the chairman); those from the public sector should be selected to serve on the board in their personal capacities and rewarded accordingly. Appointments to all positions in PEMPA should be done in a transparent manner and all employees should be appointed on performance-based fixed-term contracts.

- The following criteria should be taken into account when considering future candidates for privatisation:
 - potential for improvements in efficiency and productivity;

- advantage of acquiring foreign participation to produce new technology and management and international link-up;
- the opportunity it could afford for domestic private sector growth and for citizen empowerment;
- contribution to stock market development;
- introducing competition into an otherwise monopolistic market;
- extent of private sector interest in purchase and capacity for quicker investment.

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BIDPA STAFF

BIDPA is still building up its staff complement. The recruitment of Dr. Keith Jefferis (Macro Economist Econometrician) and Dr Kennedy Mbekeani (International Economist) has added greatly to BIDPA's capacity. During the year we have strengthened junior staff with four Assistant Research Fellows - one sociologist and three economists. Support staff has been

increased by only one, a switchboard operator. Two staff members left during the year: one expatriate Senior Researcher, Mr. Per Granberg went back to his position at the Chr Michelsen Institute in Norway after a period of three years at BIDPA. An Assistant Research Fellow, Mr Kennedy Komanyane found an attractive position at Botswana Stockbrokers.

Abridged Financial Report

1997 - 1998



**Deloitte &
Touche**



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REPORT OF THE INDEPENDENT AUDITORS

TO THE SPONSORS OF THE BOTSWANA INSTITUTE FOR DEVELOPMENT POLICY ANALYSIS

We have audited the annual financial statements set out on pages 15 to 16. The preparation of these financial statements is the responsibility of the institute's trustees. Our responsibility is to report on these financial statements.

We have conducted our audit in accordance with International Standards on Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance that in all material respects, fair presentation is achieved in the financial statements. An audit includes an evaluation of the appropriateness of the accounting policies, an examination, on a test basis, of evidence supporting the amounts and disclosures included in the financial statements, an assessment of the reasonableness of significant estimates and a consideration of the appropriateness of the overall financial statement presentation. We have examined the books, accounts and vouchers of the institute to the extent we considered necessary and have obtained all the information and explanations which we required. We consider that our audit procedures were appropriate in the circumstances to express our opinion presented below.

In our opinion, the institute has kept proper books of account with which the financial statements are in agreement. Further, in our opinion, these financial statements give a true and fair view of the state of the institute's affair at 31 March 1998, the results of its operations and cash flow information for the year then ended in conformity with International Accounting Standards.

Deloitte & Touche

Date: 23 July 1998

**Deloitte Touche
Tohmatsu**

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

Income and Expenditure Account

For the year ended 31 March 1998

| | Notes | 1998 P | 1997 P |
|--|-------|------------------|------------------|
| INCOME | | | |
| Grant Revenue | 1 | 1 771 779 | 2 905 902 |
| Project Revenue | | 1 194 143 | 1 134 204 |
| Other Operating Revenues | | 48 065 | 304 409 |
| Interest Received | | 80 950 | 109 562 |
| | | <u>3 094 937</u> | <u>4 454 077</u> |
| EXPENDITURE | | | |
| Staff Costs | | 2 779 181 | 2 052 706 |
| Office Operating Costs | | 1 483 198 | 1 535 104 |
| Library & Information Services | | 158 529 | 64 214 |
| Publications | | 17 502 | 46 028 |
| Conferences & Seminars | | 8 484 | 1 215 |
| Depreciation | | 281 636 | 256 740 |
| | | <u>4 728 530</u> | <u>3 956 007</u> |
| (DEFICIT) / SURPLUS FOR THE YEAR | | (1 633 593) | 498 070 |
| ACCUMULATED FUND at the beginning of the year | | <u>3 121 477</u> | <u>2 623 407</u> |
| ACCUMULATED FUND at the end of the year | | <u>1 487 884</u> | <u>3 121 477</u> |

Balance Sheet

31 March 1998

| | Notes | 1998 P | 1997 P |
|----------------------------|-------|------------------|------------------|
| FUND EMPLOYED | | | |
| ACCUMULATED FUND | | <u>1 487 884</u> | <u>3 121 477</u> |
| EMPLOYMENT OF FUNDS | | | |
| FIXED ASSETS | 2 | 637 696 | 676 776 |
| CURRENT ASSETS | | | |
| Work in Progress | | 1 400 | 201 254 |
| Accounts Receivable | 3 | 804 931 | 952 296 |
| Bank and Cash Balances | | 774 407 | 2 036 061 |
| | | <u>1 580 738</u> | <u>3 189 611</u> |
| CURRENT LIABILITIES | | | |
| Accounts Payable | 4 | <u>730 550</u> | <u>744 910</u> |
| NET CURRENT ASSETS | | <u>850 188</u> | <u>2 444 701</u> |
| | | <u>1 487 884</u> | <u>3 121 477</u> |

Notes to the Financial Statements

31 March 1998

| | 1998 P | 1997 P |
|---|------------------|------------------|
| 1 GRANT REVENUE | | |
| NORAD | 736 217 | 1 900 847 |
| African Capacity Building Foundation (ACBF) | <u>1 035 562</u> | <u>1 005 055</u> |
| | <u>1 771 779</u> | <u>2 905 902</u> |

Norad will provide NOK 12 million in terms of an agreement between the Government of Botswana and Norway. 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 Government of Botswana

| 2 FIXED ASSETS | Cost | Accum Depn | 1998 P | 1997 P |
|----------------------|------------------|----------------|----------------|----------------|
| | | | NBV | NBV |
| Motor Vehicles | 66 804 | 50 103 | 16 701 | 33 402 |
| Office Machines | 134 073 | 77 272 | 56 801 | 83 616 |
| Computers | 528 615 | 338 998 | 189 617 | 214 871 |
| Furniture & Fittings | 449 568 | 119 188 | 330 380 | 313 042 |
| Household Furniture | 17 314 | 9 798 | 7 516 | 10 979 |
| Library Books | <u>204 930</u> | <u>168 248</u> | <u>36 682</u> | <u>20 866</u> |
| | <u>1 401 304</u> | <u>763 607</u> | <u>637 696</u> | <u>676 776</u> |

The sponsors have agreed to finance these assets are as follows:

| | |
|---------------------|------------------|
| NORAD | 719 098 |
| ACBF | 660 196 |
| Botswana Government | 20 660 |
| BIDPA | <u>1 350</u> |
| | <u>1 401 304</u> |

| | 1998 P | 1997 P |
|-------------------------------------|----------------|----------------|
| 3 ACCOUNTS RECEIVABLE | | |
| Professional Fees and Disbursements | 634 496 | 734 782 |
| Deposits | 42 600 | 42 600 |
| Sundry | 19 947 | 43 432 |
| Prepayments | <u>107 888</u> | <u>131 482</u> |
| | <u>804 931</u> | <u>952 296</u> |
| 4 ACCOUNT PAYABLE | | |
| Trade Creditors | 8 550 | 87 055 |
| Gratuity Provision | 472 199 | 221 717 |
| Accruals Expenses | 146 738 | 170 921 |
| Audit Creditors | 11 753 | 13 298 |
| Sundry Creditors | <u>91 310</u> | <u>251 919</u> |
| | <u>730 550</u> | <u>744 910</u> |

ANNEX: OVERVIEW OF PUBLICATIONS

a. **BIDPA Working Papers**

BIDPA Working Paper 9

*Gergis, Abdalla "To Privatise",
What is &How ?*

Paper presented at a seminar on "Competition, Productivity and Privatisation: Commonwealth Experiences and Lessons for Botswana" organised by BIDPA and BNPC under the sponsorship of the Commonwealth Secretariat, Gaborone 21 - 23 April, 1997, BIDPA, 1997

The paper was presented at a seminar on Competition, Productivity and Privatisation It draws on lessons of experience as well as existing knowledge about privatisation, briefly addressing the main issues discussing how privatisation can be planned and implemented successfully.

BIDPA Working Paper 10

*Greener, Robert.
The Impact of HIV/AIDS and options
for intervention : results of a five
company pilot study.
BIDPA, 1997*

The paper was written for the Botswana National Task Force on AIDS at the workplace. It presents results from a study of the impact of HIV/AIDS, based on a sample of five companies in Botswana. It concludes that the impact to date has been small,

because the HIV epidemic is still too recent to have developed into an AIDS epidemic.

BIDPA Working Paper 11

*Harvey, Charles.
The role of Africa in the global
Economy: the contribution of regional
co-operation, with particular refer-
ence to Southern Africa.
BIDPA, 1997*

The paper was written at the request of the Vice President and Minister of Finance and Development Planning. The paper notes that Africa's importance in the world economy has declined over the years and argues that this, and the extreme poverty in most of Africa, calls for analysis of ways to reverse the trend. Prospects for regional co-operation and integration are discussed as possible ways to accelerate economic growth in Southern Africa.

BIDPA Working Paper 12

*Ditlhong, Molapisi.
Poverty Assessment and Poverty
Alleviation in Botswana
BIDPA 1997.*

The paper discusses the nature and extent of poverty in Botswana, drawing data from the Study of poverty and poverty alleviation in Botswana conducted by BIDPA for the Ministry of Finance and Development Planning.

BIDPA Working Paper 13

Gergis, Abdalla.
***Competition, Productivity
 and Privatisation.***
BIDPA 1997.

The paper provides a summary report of the proceedings of the Seminar on Competition, Productivity and Privatisation.

BIDPA working paper No. 14

Lisenda, Lisenda.
***Small and Medium-Scale Enterprises
 in Botswana : Their Characteristics,
 Sources of Finance and Problems,***
BIDPA, December 1997.

The study analyses the characteristics of Small and Medium-Scale Enterprises (SMEs) in Botswana, highlighting the educational background of owners and exposure to business related training, geographic location of enterprises, premises of operation, age of enterprise, and size of enterprise by number of employees, sales and total investment and activity. Also considered are administration and financial sources of the enterprises. Problems faced by SMEs are highlighted.

BIDPA Working Paper No. 15

Granberg, Per.
***A simple formula for forecasting the
 Botswana urban population total,***
BIDPA , February 1998

The paper establishes a simple relationship between urbanisation and economic growth. The relationship is intended as a simple "annex" to the revised MEMBOT model (forthcoming), capable of providing quantitative estimates illustrating the likely nature of urban population changes under alternative economic scenarios.

BIDPA Working Paper No. 16

Sesinyi, Magdeline.
***Minimum wages and employment :
 literature review and background on
 minimum wages in Botswana***

Gives a brief literature review on minimum wages and their possible effects on employment, with particular focus on the likely effects of minimum wage introduction on the two excluded sectors, namely the Domestic and Agricultural Sectors. It briefly outlines research results on minimum wages from past studies, highlighting their main recommendations. The paper concludes that minimum wage increases results in trade-off, and no matter how well intended come with a price in the form of lost jobs for some and increased benefits for others.

b. BIDPA Publication Series

BIDPA Publication 1

Isaksen, Jan, Brothers, Dwight and Mullei, Andrew.
Southern Africa and Eastern Asia: experiences and opportunities in development (Forthcoming)

Proceedings from an International Conference on the topic of transferable lessons from Asian to African countries on economic growth and development.

BIDPA Publication 2

Gaolathe, Ndaba.
Booms and Bursts in the Economy of Botswana: contribution to the Paper on the economy of Botswana.
Bank of Botswana, 1997.

In the year around 1990, the Botswana economy experienced a period of "boom" conditions, eventually followed by a "burst". The paper sets out to analyse this experience, trying to explain the underlying factors, and to draw out policy lessons.

BIDPA Publication 3

Gergis, Abdalla (ed.)
Botswana's New Industrial Development Policy BIDPA/MCI,
Government Printer, 1997.

The publication contains the proceed-

ings of the joint BIDPA/MCI seminar held in September 1996. The volume includes the seminar report on group discussions of the draft industrial development policy and the background papers presented by speakers at the seminar. The report summarises the issues raised during the two days of discussions.

BIDPA Publication 4

Granberg, Per.
Exchange Rate, Inflation and Competitive Power : an analysis of the relationship between Botswana's Exchange and Inflation Rates and its implications for the competitive strength of her producers.

The publication contains findings of the project: Study of Botswana's exchange rate policy. The publication details simple input/output based model for analysing the exchange rate question, and employs it to draw out the implications for various sectors of the economy, under alternative exchange rate scenarios. It goes on to analyse the available statistical evidence, and draw comparison to model results. Finally, it discusses the rationale, and possible revision, of the current exchange rate policy for a broader perspective with special reference to the likely implications of following a significantly different policy.

BIDPA Publication 5

*Gergis, Abdalla, Editor.
Prospects of the EU/ACP
Relationship, with Particular
Reference to Botswana.
(Conference highlights).*

The publication comprises highlights from the "Conference on the prospects of the EU/ACP relationship with Particular Reference to Botswana" which was held in Gaborone 25-26 September 1997. The purpose of the report is to capture the essence of the debate on the future of the Lome Convention and to bring about the main issues that emerged from the consultation process. The issues would serve as key elements of a Botswana position during the anticipated EU/ ACP negotiations on a successor to the current Lome Agreement which is due to expire by the year 2000.

c. Consultancy Reports, etc

(The documents listed below are not claimed to be BIDPA publications, but they are reports etc where a significant input has been made by BIDPA staff members or consultants.)

**Long term Vision for Botswana.
Towards Prosperity for all.**

*Presidential Task Group for a Long
Term Vision for Botswana,
September 1997.*

BIDPA functioned as the secretariat to the commission, arranged country-wide consultation, took notes from meetings, produced a draft report for consideration of the Task Group and took care of layout and printing of final report.

**Study to Assess the Economic
Impact of the Proposed European
Union-South Africa Free Trade
Agreement on Botswana, Lesotho,
Namibia and Swaziland.**

A study by the Institute of Development Studies, Sussex, UK and the Botswana Institute for Development Policy Analysis, Gaborone, Botswana. Draft Final Report and Statistical Supplement. July 1998.

Three senior Research Fellow and on Assistant Research Fellow participated in the study team, constructed a model of trade in southern Africa, interviewed a number of sensitive industries in the BLNS and drafted major parts of the report.

**Botswana Human Development
Report 1997. Challenges for
Sustainable Human Development,
A Longer Term Perspective.**

UNDP, Gaborone, Botswana, 1998.

A team of four Research Fellows and Assistant Research Fellows worked on the database for the report and drafted parts of it.

**Study of long-term finance in
Southern Africa: the special case
of Botswana**

African Development Bank (1997)

A BIDPA Senior Research Fellow drafted the report jointly with Phaleng consultancies Pty. Ltd.

**Formal sector credit for small
and medium scale enterprises
(SMEs): proposals for expansion**

Government of Botswana, 1997

The research, including interviewing, analysis and drafting of the report was conducted by a BIDPA Senior Research Fellow with the support of an Assistant Research Fellow.

**Prospects for transforming
Botswana's diamond-led
economy.**

*Paper delivered to Bank of Zambia
conference, August 1997.*

A conference paper by a BIDPA Senior Research Fellow.

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