



**BOTSWANA INSTITUTE  
FOR DEVELOPMENT  
POLICY ANALYSIS**

**ANNUAL  
REPORT**

**2013-2014**



### **Botswana Institute for Development Policy Analysis (BIDPA) Botswana**

The Botswana Institute for Development Policy Analysis (BIDPA) is a non-governmental research organization established by a deed of trust. The two key areas of BIDPA's mandate are development policy analysis and capacity building. Its aim is to promote policy analysis through research, capacity building, assisting organizations or individuals where appropriate, monitoring the country's economic performance and disseminating policy research results.

<http://www.bidpa.bw/>

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## Foreword by the Chairperson

BIDPA's mandate is to provide policy research and analysis on economic and social issues in Botswana. To achieve this mandate, the Institute has to deliver a number of products and services, including demand driven research (consultancies), supply-driven (independent) research, and information dissemination through a number of outlets (publications, seminars and conferences and workshops). I am happy that in the current year, the Institute has been able to deliver on each of these requirements as evident from the number of supply and demand-driven projects, publications and public forums undertaken by the Institute. Such optimum balance has been maintained for the past three years. It is our view as the BIDPA Board of Trustees that BIDPA outputs are relevant for public policy dialogue in Botswana and that they will go a long way in shaping policy dialogue and formulation going forward.

While the Institute has successfully delivered on its mandate, it has been confronted with some challenges that have slowed down its rate of progress towards the desired state. A key challenge is that, due to internationally uncompetitive pay packages, the Institute has been unable to fill some of its Senior Research Fellow positions, impacting negatively on the provision of leadership in the affected areas of research. This has been compounded by the general lack of qualified experts in Botswana for some of the specialized areas of research required at the Institute. To address this problem, the Institute has embarked on a mentoring program which allows citizen researchers trained at PhD level to be appointed as acting Senior Research Fellows as a way to build relevant capacity for substantive appointment as Senior Research Fellows in the future. I am happy to announce that this program, which is in its third year, has already shown signs of success.

Let me take this opportunity to thank the Government of Botswana for its continued commitment to fund the Institute and for allowing it to continue to provide independent policy research and analysis. I am thankful to our other partners such as non-state actors and development partners for their continued support to the Institute. It is my strong view that your support is essential for the Institute to continue to be able to effectively deliver on its mandate.

A handwritten signature in black ink, appearing to read 'Maria Machailo-Ellis', written over a horizontal dotted line.

Maria Machailo-Ellis



## Executive Director's Overview

BIDPA has been implementing its strategic plan for the past four years. The key thrust of the strategic plan is to enhance the Institute's provision of its think tank mandate through promoting an increase in supply-driven research. A lot of progress has been made in the last four years as evident from the increase in the number of supply side outputs, such as publications and public forums, undertaken by the Institute.

For the year under review, the Institute produced a total of 18 publications, which will go a long way in serving as reference material for influencing current and future policy dialogue, as well as policy formulation, in Botswana. Most of the Institute's publications for the current and past financial years have been uploaded on its website for free access by all our stakeholders. Hard copies are also available from our library. I therefore urge stakeholders to visit our website and library to access our various publications.

On behalf of BIDPA management and staff, I wish to thank BIDPA's Board of Trustees for their continued provision of guidance and leadership to the Institute. I also wish to thank BIDPA staff, which has worked tirelessly to ensure that the Institute achieves its mandate. I am also grateful to the Botswana Government and its various agencies for continued support to the Institute, as well as non-state actors and development partners for various forms of partnerships that have contributed positively to the BIDPA mandate.

A handwritten signature in black ink, appearing to read 'T. Seleka'.

Tebogo B. Seleka, Ph.D.  
EXECUTIVE DIRECTOR

## Corporate Profile

### BIDPA Mandate

The Botswana Institute for Development Policy Analysis (BIDPA) is an independent trust set up by a Presidential Decree. It started operations in 1995 as a non-government policy research institute.

The Institute's mandate is defined by the five components of Institutional Capacity Building; Economic Research and Policy Analysis; Professional Training; Networking and Public Education; and Dissemination and Publication. The focus of BIDPA work is mainly informed by the Institute's mandate as defined in the deed of trust that established the institution.

## MISSION, VISION, VALUES AND OBJECTIVES

### Mission Statement

To be a centre of excellence that provides policy research, analysis, advice and capacity building.

### Vision

To be a globally competitive policy research institute.

### Corporate Values

The following set of values drive the operations of the institute:

Professionalism: Education, Relevant skills, Dedication, Team Spirit, Competency and Commitment

Integrity: Ethical Behavior, Credibility, Appreciation, Trust and Transparency

Competitiveness: Effectiveness, Efficiency, Timely Delivery, Quality Products/Services, Pro-activeness and Dynamism

### BIDPA Objectives:

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

## Governance

The Institute continued to improve on its governance profile by applying internationally accepted best practice in governance. A new Board Committee was established and instituted to deal with tendering and procurement issues.

## Board of Trustees

The Board of Trustees, constituted in terms of the Deed of Trust of 1995, is responsible for the policy direction that the Institute takes from time to time. The Board is vested with the authority and responsibility to exercise control over all the activities conducted by the Institute. There are 8 members, five of whom are representatives of institutions from the Government of Botswana (Office of the President; Ministry of Finance and Development Planning), University of Botswana, Bank of Botswana, and Botswana Confederation of Commerce, Industry and Manpower (BOCCIM). The other two are representatives of civil society and research professionals. The Executive Director is an ex-officio member and Secretary to the Board.

There are two subcommittees of Board - Finance and Audit Committee that deals with and advises on financial policies of the Institute and related matters and the Tender and Procurement Committee which focuses on procurement policy issues.



Ms. M. Machailo -Ellis  
Chairperson



Mr. O. Motshidisi- Deputy  
Chairperson



Ms. C. O. Ramalefo



Prof. P. M. Makepe



Mr. K. Ndobano



Mr. P. Draper



Sarah George



Dr. T. B. Seleka  
Board Secretary

## Management Committee

The BIDPA Management Committee comprises of the Executive Director, the Programme Coordinator, the Chief Librarian, the Finance Administrator, the IT Manager and all Senior Research Fellows. The Executive Director (ED) is appointed by the Board of Trustees. The ED has everyday management responsibility for all the activities of the Institute. Senior Research Fellows are heads of the research units of the Institute. Non-research managers are responsible for Information and Technology, Finance, Programmes Co-ordination and the Library.



**Dr. T. B Seleka**  
Executive Director



**Dr G. Kaboyakgosi**  
Senior Research Fellow



**Prof. R. Grynberg**  
Senior Research Fellow



**Ms B. N. Siwawa-  
Moepeng**  
Financial Administrator



**Mr. K. P. Maroba**  
Programme Coordinator



**Mr. J. Seanego**  
Chief Librarian



**Mr. L. Issacs**  
IT manager



**Prof. S. Malope**  
Senior Research fellow



# Organogram



## Library

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

Through its library and information technology resources, BIDPA has been able to extend its information services to a wider audience. The library collection emphasises the following subject areas: Agricultural Economics; Development Economics; Financial Economics; Gender; Globalization; Governance and Civil Society; HIV/AIDS; Income Distribution; Policy Making; Poverty; Private Sector/Privatization; Public Administration; and Research & Statistical Methods.

BIDPA library hosts the Botswana Development Information Centre (BDIC) which is a World Bank partnership initiative with local development agencies meant to facilitate access to development information and resources sharing. The BDIC aims to ease information accessibility through a one stop centre which offers development information in print, electronic and online formats. As a result of this partnership, the library serves as World Bank repository for both print and electronic information resources. Thus, the centre freely offers a range of facilities and services that stimulate development thinking through access to the latest knowledge and information available worldwide.

The BIDPA website (<http://www.bidpa.bw>) continues to be an important reference site for both students and researchers locally and internationally. The website has been reformed and structured in a way that makes accessing information easy and user friendly.

## Research And Policy Analysis Activities

This section covers research activities undertaken by the Institute through its five broad areas of Trade and International Economics; Macroeconomic Modeling and Forecasting; Microeconomics; Incomes, welfare and Poverty; and Public Sector Reforms. At the close of the year projects were at different stages of implementation, including on-going and completed.

### DEMAND DRIVEN RESEARCH

#### Design of the National Anticorruption Policy

BIDPA was engaged by the Directorate on Corruption and Economic Crime (DCEC) to conduct research for use in the development of a National Anti Corruption Policy (NACP) for Botswana. The overall objective of the project was to research the current institutional landscape of anticorruption in Botswana and drafting of a National Anti Corruption Policy. Other objectives were a review of legal and organizational arrangements for fighting corruption; profile corruption prone areas in Botswana and advise on how best to mitigate for these; and assess how best oversight institutions' operational strategies could be improved for this purpose. On March 18th 2014, BIDPA undertook a stakeholder event to launch the draft anticorruption policy. The attendees of the event included senior government officials, development partners, civil society organizations, oversight organizations, the media, oversight organizations, audit organizations among others.

The Institute has undertaken and successfully completed the fieldwork stage of the project, which involved consultations with leaders from the public, private, and nongovernmental sectors of the economy. These consultations spanned a number of districts in Botswana. BIDPA also completed the Situational Analysis stage of the project, which involved a review of legal and organizational arrangements for managing corruption; creation of a profile of corruption prone areas in Botswana and advising on how best to mitigate for these. The Draft Policy has been disseminated at a stakeholder workshop and BIDPA is currently incorporating the comments from the workshop.

## Elections and the Management of Diversity in Africa

BIDPA was contracted by United Nations Economic Commission for Africa (UNECA) to carry this study. The objective of this research was to assess progress made by African countries in using elections as a tool for the management of diversity in Africa. The Botswana component of the study assessed Botswana in the same light and made a comparison with 33 other African nations. The research made a number of findings - that there was less representation of some social groups in political party affairs such as women, the disabled, the youth and the Basarwa; that there was no link between ethnicity and political party affiliation; that political parties to have unequal access to electoral resources; that the composition of government leadership represents all segments and diverse interests and that Botswana's political process is considered free from the influence of sectarian identity groups. The research made a number of recommendations: that Government should introduce public funding for political parties; that electoral affirmative action through funding for candidates among women, people with disabilities and Basarwa candidates during primary elections should be considered; that an affirmative action strategy must be adopted to cater for minorities in the electoral process. This could include reserving a specified percentage of seats for women, the disabled, the youth and particular ethnic groups (especially Basarwa); that the Government should introduce tax deductions for companies and individuals that support civil society organizations in order to address the problem of lack of funds among civil society organizations; and that advance voting should be reintroduced and extended to people with disabilities, as well as introducing online voting to curb long queues.

BIDPA recently published a book based on this study focusing on Botswana. The book will be publicly launched in early 2014 and will be available free of charge through the BIDPA library. The book has a number of policy implications, the most important of which is the idea of defining and understanding the concept of diversity. Such a concept includes the ideas of ethnicity, gender, age, and disability, and how they either facilitate or constrain democratic participation. Other questions that need addressing are the following (1) how does the lack of constitutions written in Braille constrain the visually impaired from voting? and (2) Is a day enough for the elderly to vote?

### African Capacity Indicators Project: Botswana Country Policy and Institutional Assessment

BIDPA has been appointed by the African Capacity Building Foundation (ACBF) to collect data in Botswana for the ACBF Africa Capacity Indicators Report (ACIR) 2014. BIDPA specifically conducts the Country Policy and Institutional Assessment (CPIA) to assess the quality of Botswana's present policy and institutional framework. The exercise is undertaken annually across African Countries and it informs the development of the ACIR where an assessment of emerging issues for policy on capacity development among African countries are identified. The ACIR aims to develop indicators for tracking overtime, allow comparability and give a sense of assessments of results being achieved in capacity development in Africa. Since its inception, the ACIR has aimed to examine issues and challenges facing countries in cross border capacity development and cooperation, to develop better theoretical underpinnings to the various capacity interventions undertaken and also to serve as a definitive knowledge product for policy makers, public sector officials, private sector, civil society and other experts in capacity development.

### Study on Mining and Diversification (Post Diamond Study)

This project was commissioned by Botswana Confederation of Commerce, Industry and Manpower (BOCCIM) with funding from the African Development Bank (ADB). The first component was completed in 2012 to estimate Botswana's mineral production, export and revenues. The second component, which models the implications of the changes in revenue and how the government needs to adjust, is being done and it is expected to be completed in the second quarter of 2014. The third component analysed the Botswana's diversification experience. The component which undertook a comparative analysis of the costs of doing business between Botswana, SADC countries and three comparator countries was completed. The final report has been presented to BOCCIM. A national dissemination conference, covering all the three components, will be held in the second quarter of 2014.

### Regionalism and Economic Integration: The Case of SADC

BIDPA was appointed by the African Capacity Building Foundation (ACBF) to administer the regional economic communities survey instrument with a focus on the SADC regional block. The survey is currently ongoing in all the African Union regional economic communities of SADC, CEN-SAD, COMESA, EAC, ECCAS, ECOWAS, IGAD, UMA, CEMAC, CEPGL, IOC, MRU and UEMOA mainly to identify the capacity constraints and challenges facing countries in the pursuit of integration among African Countries. The survey is fundamental in identifying areas for strategic focus in enhancing the integration process and in addressing the emerging gaps on capacity needs and challenges to contribute to the sustainable growth and development agenda of the African Union countries.

### Evaluation of Sesigo Innovation Fund Projects:

BIDPA was engaged by the Comprehensive African HIV/AIDS Partnerships (ACHAP) to review projects funded through the Sesigo Innovation Fund. These projects were implemented in ten (10) public libraries across Botswana covering a wide range of areas such as expansion funds, training, development fund and demographically based services. The beneficiaries include the visually impaired, children with disabilities, women, youth, farmers and the general community members. The aim of the project is to undertake both the midterm and final evaluations of Sesigo Innovation Projects. The objectives of the midterm evaluations are to inform project implementers as to whether their projects are progressing as planned, while the final evaluations' main purpose is to determine whether the projects have met their intended objectives. The results of both the midterm and final evaluations will also provide lessons learned for future projects.

### BIFM Quarterly Economic Review

BIDPA was engaged by Botswana Insurance Fund Management (BIFM) to prepare quarterly economic reviews. The main objective is to keep track of developments in the Botswana's economy and review the behaviour of key economic variables and evaluate prospects for the coming periods. The specific objectives of the review are to: review the growth of the economy, by sector and overall; compare the performance of the Botswana economy with the rest of the world; review inflation and monetary policy and trends in inflation and future prospects; determine credit growth; determine trends in the balance of payments – international trade and provide and economic outlook. The reviews are published by BIFM and widely circulated.



### Initial Review of the Economic Diversification Drive (EDD): Survey of Beneficiaries and Other Enterprises

This project is undertaken in collaboration with the World Bank. BIDPA's role is to provide logistical support. Its main objective is to undertake an initial review of the Economic Diversification Drive (EDD), which is a national strategy aimed at accelerating diversification of the economy through development of globally competitive enterprises that need little government support. The overall aim of the project is to review the EDD on beneficiaries and other enterprises. Specifically BIDPA was mandated to obtain a nationally representative sample of registered enterprises in Botswana; to refine the questionnaire prepared by the World Bank; conduct interviews on 450 selected enterprises and prepare a data base. It is expected that at the end of the project there will be a report outlining the impact of EDD on its beneficiaries with recommendations for improvement of the strategy. The project has been completed and submitted to the client for comments.

### Review of African Development Bank Operations in Botswana (AfDB)

BIDPA was engaged by the African Development Bank (AfDB) to undertake a macroeconomic review of the Botswana economy and assess progress of projects financed by loans from the African Development Bank. The specific objectives of the project were to: review Botswana's macroeconomic, growth and development strategies and opportunities, challenges and outcomes/results in 2000 – 2013 and overall economic performance prospects; review the Bank's budget support to Botswana – Botswana Economic Diversification Support Loan (EDSL) in terms of (i) its relevance, efficiency, results (including cross-cutting; gender; capacity building), sustainability and contribution to the country's development outcomes, and (ii) the factors that facilitated and constrained EDSL's performance; and undertake a stakeholder survey to determine their perceptions on the Bank's assistance to Botswana in terms of their experiences, effectiveness and the contribution to the Botswana economy. The study's main findings have been submitted to the client for final comments. It is hoped that the results will inform AfDB future assistance to Botswana to make it more effective.

### The Southern African Customs Union Industrial Policy (SACU)

BIDPA is among a team of international consultants developing an Industrial Policy for the Southern African Customs Union (SACU). The project's main aim is to review the industrial policies of SACU and the specific objectives of the study are to: recommend policy options and strategic interventions as inputs into the finalisation of a SACU Industrial Development Policy and Strategy in order to achieve a balanced and equitable industrial development in the sub-region; identify priority sectors applicable to the member countries; recommend specific steps that must be taken by SACU; provide an action plan to achieve the goal of establishing a SACU-wide industrial policy. The draft study report has been submitted to the client for comments and it is expected that the study results will form the basis for SACU Industrial Development Policy and Strategy.

### Botswana Social Protection Assessment

BIDPA in collaboration with the World Bank conducted the Botswana social protection assessment. The purpose of this assessment was to inform Botswana's future social protection and labour strategy and policies and help to achieve the goals of Vision 2016. The assessment concentrated on social assistance programmes as major reforms are already taking place or being considered for Active Labour Market Programmes (ALMP) and social insurance programmes. As social assistance programmes were a significant draw on the Government of Botswana's budget and revenues from mining were projected to decline over the medium term, it would inevitably be necessary to increase the cost-effectiveness of existing programmes. In addition, there is an increasing concern in Botswana with the fact that transfer programmes may be creating adverse incentives to work and may be promoting "dependency" and with the related need to "graduate" beneficiaries from the programmes.

The assessment found that the social protection system exhibits a number of systemic weaknesses. The majority of the programmes are rather small, which limits their effectiveness. The assessment found that these weaknesses, however, could be corrected over the next few years and by 2016 Botswana could emerge with a modern, effective and efficient social protection system, capable of eliminating absolute poverty.

Based on an in-depth assessment of the social protection programmes, this report recommended three strategic directions and associated policy measures that would strengthen the social protection system over the next three to seven years. First, the report proposes a number of options to tighten the safety net and contribute to the elimination of absolute poverty in a budget neutral way. These policy measures are focused on filling existing gaps in coverage, eliminating programme fragmentation and curtailing over-generous benefits. Second, the report spells out a comprehensive but feasible administrative reform agenda, targeted to develop the administrative tools and systems that underpin an efficient and effective service delivery across all social protection programmes. Lastly, the assessment recommends that there is need for strengthening institutional arrangements and coordination mechanisms.

#### Production of the Botswana Poverty Eradication Strategy (BPES)

The Government of Botswana, under the leadership of the Poverty Eradication Coordination Unit (PECU) in the Office of the President, has decided to initiate a process aimed at the development of an updated Botswana Poverty Eradication Strategy (BPES) to replace its National Strategy for Poverty Reduction of 2003. This will assist to operationalise the Government's intention to eradicate poverty in Botswana as one of its current 'flagship' programmes, and to realize one of the key goals of the country's long-term vision (Vision 2016). It is expected that this medium to long-term Strategy will be concluded and approved in time to feed substantively into the process of developing NDP II. The BPES will help to ensure that the objectives and implementation of the next National Development Plan are properly aligned to the goal of poverty eradication. The strategy will, inter alia, permit the screening of current and future stand alone sectoral policies, programmes and projects in order to ensure their congruence with the strategic thrusts of the Government of Botswana's poverty eradication efforts. Being a master document containing clear and specific targets, timelines, progress indicators and designated roles and responsibilities in terms of policy formulation, implementation and monitoring, it will facilitate coordination across government agencies and between

the Government of Botswana and other stakeholders. It will also serve to strengthen results-focused accountability, help to avoid dispersal and duplication of efforts, and reduce inefficiencies in the deployment of human and financial resources.

#### Gender, Entrepreneurship and Inclusive Growth: The Role of Institutions in Promoting Small Medium Enterprises (SME) Development in Mauritius and Botswana

The study seeks to investigate the role of institutions in promoting the growth and development of Small Medium Enterprises (SMEs) from a gender perspective. Specifically, the project is aimed at investigating the role of institutions in SME development with regard to gender. It is expected to address gender policy issues faced by entrepreneurs from various institutions, hence contribution to the development of SME sector. The project is being carried out in collaboration with the University of Botswana and University of Mauritius and it is at data collection stage.

#### Assistance to the Parliamentary Select Committee on the Decline of the Botswana Meat Commission (BMC) and the Cattle Industry

BIDPA completed a project for the Special Parliament Select Committee on the Inquiry of the decline of BMC and the Botswana beef industry. BIDPA's role was to provide and analyze technical data on the performance of the BMC, to record the proceedings of the hearings and to assist the committee in preparing a final report on the findings.

#### Study to Assess the Benefits and Costs of Botswana Leaving Southern African Customs Union (SACU)

BIDPA has been contracted by the Ministry of Trade and Industry to assess the costs and benefits of Botswana being a member of the SACU. Further, the study will make recommendations to guide the country on the appropriate steps to ensure Botswana maximizes the benefits of being in SACU. Once completed, the study will be important in informing the national position on trade negotiations and trade relations.

## SUPPLY DRIVEN RESEARCH

### Impact of Shocks to Public Debt and Government Expenditure on Human Capital and Growth in Developing Countries

This paper examines the implications of shocks to public debt and government expenditure on the development of human capital and growth within a model that explicitly recognizes the role of fiscal constraints through introducing the government budget constraint for a set of selected developing countries from 1980-2013. The paper concludes that developing countries which face fiscal challenges such as high public debt and poor revenue prospects to back government expenditure sustainably, cannot solely develop human capital based on the strength of their domestic resources, underscoring the need for specific supportive global fund for human capital development. The key policy implication calls for public debt management strategies and efficient government expenditure management frameworks supported by sustainable revenue prospects to provide fiscal sustenance impetus to enhance the growth process in developing countries

### 2014/15 Botswana Government Budget Analysis: Briefing Note

This budget briefing note provides an assessment of the key elements of the 2014/15 national budget allocations presented to Parliament on the 3rd February 2014. The main features are discussed with emphasis on the implications for the fiscal and growth strategy given the developmental challenges in the context of Botswana. An evaluation of the resource allocation process in the development and recurrent budget versus the prioritization process against growth and development priorities across sectors is conducted. The brief provides key areas for improvement and focus to attain a more result oriented growth process given the current budget propositions.

### Determinants of Household Welfare and poverty in Botswana, 2002/03 and 2009/10

This paper investigates household determinants of welfare in Botswana. Using the 2002/03 Household Income and Expenditure Survey (HIES) and the 2009/10 Botswana Core Welfare Indicator Survey (BCWIS), and employing regression analysis, we identify age of the household head, gender of the household head, marital status of the household head, education level of the household head, employment status, cattle ownership, household size and dependency ratio as the determinants of household welfare in Botswana. Moreover, we find that

residing in rural areas increases the likelihood of being poor and negatively relates to welfare. Therefore, public policy must continue to emphasize on education and job creation amongst the strategies for poverty reduction in Botswana. Initiatives for rural development are also critical for poverty reduction.

### Public transfers and subsistence crop production: empirical evidence from Botswana

The study investigates the impact of public transfers on subsistence crop production in Botswana. Empirical results reveal that social pensions have impacted positively on cultivated area, but have had no impact on cereal yields and output. However, government food rations have impacted adversely on cultivated area, yields and output. This, it is argued, is because food packages are directly substituted for subsistence crop production. Thus, consistent with the theory of the agricultural household, publicly provided food packages have had work and production disincentives amongst subsistence households, as food transfers are relatively more sizable, regular, consistent and certain. The results have important policy implications. First, transfers need to be kept small to ensure that the disincentive effects at both household and national level are minimized. Second, it is important to ensure that transfers are targeted at those households who are in need of assistance, to minimize their potential adverse effects on subsistence crop production at both household and national levels. Last, since cash transfers positively influence crop acreage and food transfers have disincentive effects, government should consider moving away from food to cash benefits.

### Rural Development in Botswana: Experiences from Elsewhere and Emerging Issues

Poverty incidence is one of the most critical concerns in Botswana and the government has resolved to eradicate this problem and ensure that every citizen live in a dignified and acceptable condition consistent with the national aspirations as set out in the National Vision 2016. Currently, rural areas are persistently experiencing the highest poverty incidence compared to any other place in the country. This has been the case ever since we have measured the extent of the poverty problem in 1985/86. Rural development in Botswana has been a central policy and strategy of government effort to improve the welfare and standard of living since independence. Since the 1970s, a rural development council that was traditionally chaired by a Vice President demonstrates the importance that government takes about rural development. The membership of this council involves all permanent secretaries and key non-government stakeholders. The Council has made tremendous success in transforming

Botswana from a primarily rural based population to a country where the majority of its residents live in urban areas. Initial rural development efforts that provided basic infrastructure countrywide contributed to Botswana's urbanization as part of this process involved a reclassification of many former rural villages into urban villages, particularly after the 1991 Population Census. Rural population is now a minority but the problems of poverty and vulnerability remains higher than in other areas. The nature and outlook of rural areas have changed dramatically and so have the needs of the rural people. There is a need to review our definition of a rural area, and re-visit the policies and processes of facilitating rural development to make them more relevant to emerging issues and challenges. This paper proposes that the country should choose its programmes and projects for development based on their ability and past record to perform, target government support more efficiently and effectively, acknowledge emerging challenges and respond accordingly by improving the operations of a market system, even if it requires government intervention.

#### Assessing Household Wealth Status: An Asset Based Approach

Wealth has traditionally and commonly been measured using monetary indicators such as income and consumption. This approach has resulted in the production of social protection policies in various countries including Botswana. However, some researchers have debated the adequacy of the two monetary indicators in capturing status of welfare; hence alternative approaches have been proposed to serve this purpose. Analysis of the previous (2001) census shed light on the housing situation in Botswana; sources of energy used both for cooking, lighting and heating; sanitation facilities and other assets. While this information is important, the approach did not offer a unique index that may be used to compare households' wealth. This paper therefore is aimed at comparing wealth status for different households using assets and other household characteristics to compute a household wealth index from the 2011 population and housing census data. The index is based on household durable assets, quality of housing, water and sanitation and will be computed using a technique of Principal Component Analysis (PCA). The paper finds that generally there is better status of wealth among urban districts, female headed households as well as in households with married heads. Education also appears to be an important determinant of asset acquisition. Results revealed a positive relation between wealth status and educational level of heads of households. The Final paper has been submitted for publication by Statistics Botswana.

#### Horticulture, Women and Poverty

Poverty, especially among rural women in Botswana is persistent. Several studies have shown that most rural households in Botswana are headed by women and poverty is more prevalent among these households than male headed ones. Traditional agriculture is highly affected by climate change, especially recurring droughts, with productivity in this sector among the lowest. This paper examines the horticulture sector as a viable diversification strategy within the agriculture sector that can benefit from growing treated waste water resources as a byproduct of increased urbanization of the country. It also argues that horticulture sector is a sustainable enterprise that is environmentally friendly and promotes green activity which has multiplier effects on the overall economy. Evidence of successful horticulture sector in Botswana, especially among the large scale farmers will be demonstrated and the paper will argue that there is a need to develop a small scale horticulture sector, not just about national food security, but to address immediate household food security, income smoothing and poverty eradication. Targeting women is suggested as the most appropriate approach to effectively reduce unemployment and poverty.

#### Effective Budget Oversight in Botswana: Role of the Legislature and the Office of the Auditor General

This study discusses the effectiveness of public budget oversight in Botswana. It assesses the roles Parliament and the Office of the Auditor General (OAG) in budget oversight and makes recommendations on how to improve the effectiveness of oversight of both organs. The policy brief uses data from the Open Budget Survey (OBS) 2012, and earlier indices to discuss the subject.

Some of the major findings of the study are as follows: Parliament does not provide adequate budgetary oversight, due to its lack of research capacity, limited financial and human resources; The Office of the Auditor General faces a number of challenges in its budgetary oversight role, such as insufficient independence from the executive, lack of effective follow-up and support from the legislature and poor involvement of the public in its business by the OAG. With a score of 50, the study finds that government provides only limited budget information. Insufficient budget information cannot enable the citizens to hold government to account for public finance, leading to accountability deficit.



The research made a number of recommendations, that the executive should provide the legislature with the Executive's Budget Proposal at least six weeks, but ideally three months, before the start of the budget year; that the executive should involve legislators in the process of determining budget priorities; that Parliament should have a formal pre-budget policy debate prior to the tabling of the Executive's Budget Proposal; that the legislature should have a specialized budget research office to assist it with budget analysis; that the Office of the Auditor General should improve the quality of the audit report by including an executive summary in it; and that communications by the Office of the Auditor General regarding audit findings must go beyond just publishing the audit report.

#### **Integrated Results Based Management in Botswana:**

The objectives of this paper are to explain what IRBM is, including its components parts, its uses and how other countries internationally have used it, and with what consequences; and to outline Botswana's experiences with the reform to date, including challenges experienced and possible solutions to these. This paper analyses Botswana's efforts at developing the IRBM system. IRBM is a way of reforming public services through helping governments to focus on proper, well-timed achievement of relevant goals and objectives. Such reform is carried out through the utilisation of strategic planning, systematic implementation and resource usage, performance monitoring, measurement and reporting as well as systematic use of performance information to improve policy decision making and programme performance at all levels

#### **Base Metal Beneficiation in Botswana and SADC Countries**

The study considers the experience of Botswana and its neighbours i.e. Namibia, Mozambique and Zambia with the beneficiation and processing of base metals such as copper, nickel aluminum and zinc. Drawing on the experience of the copper industry, the study argues that Chinese policy towards the expansion of smelting/refining capacity as well as that of semi-fabricates has compressed margins to such a degree that China has displaced other countries from processing and beneficiation. Further, in this middle point in the value chain it has compressed margins in the copper industry limiting any possibility for beneficiation in Southern Africa. The study looks at the experience of Botswana and its neighbours i.e. Namibia, Mozambique and Zambia with the beneficiation and processing of base metals such as copper, nickel aluminum and zinc. Drawing on the experience of the copper industry it argues that Chinese policy towards the expansion of smelting/refining capacity as well as that of semi-fabricates has compressed

margins to such a degree that China has displaced other countries from processing and beneficiation. It is argued that this middle point in the value chain it has compressed margins in the copper industry limiting any possibility for beneficiation in Southern Africa.

#### **The Impact of Trading with China**

The study analyses the experience of trade in goods between Botswana and China and attempts to determine the extent to which China has displaced traditional SACU partners in its increased penetration of the Botswana market. The study argues that penetration of Chinese imports into Botswana has increased. Further, Botswana exports to the South Africa are faced with increasing competition from Chinese imports to South Africa. The study looks at the experience of trade in goods between Botswana and China and attempts to determine the extent to which China has displaced traditional SACU partners in its increased penetration of the Botswana market

#### **Evaluating the Potential to Export Electricity from Botswana**

The study assesses the potential for Botswana to develop electricity export capacity and why this has not been successful to date. Significant coal resources suggest that there is potential for Botswana to export electricity, but South African policy towards its own electricity sector has limited the potential of IPP producers from Botswana to export electricity. Further, environmental factors and the ability to develop key infrastructure necessary to electricity export capacity are important determinants of Botswana's potential to export electricity.

#### **Synthetic Gem Quality Diamonds and their Potential Impact on the Botswana Economy**

This paper considered the development of synthetic gem quality diamonds and the potential impact on Botswana, the world's largest producer of mined diamonds by value. The paper considered the rapid growth of Chemical Vapor Deposition (CVD) diamonds in the past 20 years and argues that there is reason to believe that given the market conditions prevailing in the mined gem quality diamond industry, synthetics do constitute a serious threat to the industry. The market structure of the industry has changed and De Beers, once a cartel controlling 80-90% of global production, has contracted and is now unable to dominate the market and control supply of either mined or synthetic diamonds as was the case in the 1980's and early 1990's. Moreover, the technology for producing synthetics is now widely diffused. While the diamond and jewellery industry has responded to the

threat of synthetics, there has been no attempt to address the most serious risk, which is the possibility of a sudden and catastrophic loss of confidence by consumers in the long term market value of diamonds. The paper argues for mandatory global documentation and disclosure of mined and synthetic diamonds. It is in the best interest of

Botswana to move to mandatory global standards which differentiate mined from synthetic diamonds. In the longer term however only a mandatory global standard that clearly differentiates mined from synthetic and enhanced or annealed diamonds can protect the commercial value of Botswana's assets.

## CAPACITY BUILDING ACTIVITIES

The capacity building activities include issues related to workshops, seminars and short courses. In this area, BIDPA has performed exceptionally well in spite of financial constraints mentioned above. For every quarter BIDPA strives to have its employees attending a broad scope of capacity building initiatives in order to build their capabilities. A measure of success was recorded under the capacity building mandate as evidenced by the number of activities recorded.

### Workshops & Conferences

- Naledi Modisaatsone presented a paper on SADC Macroeconomic Convergence in the context of RISDP, at the SADC-CNGO workshop on the 5th of June 2013.
- Prof. Patrick Malope was a discussant on a Stakeholder Consultation Workshop on the Development of Citizen Economic Empowerment organized by Public Enterprises and Privatisation Agency, 23 July 2103, Cresta Lodge, Gaborone Botswana.
- Prof. Patrick Malope attended a workshop on African Development Bank Financial Products and Services, Botswana CSP. 2 August, 2013, Lasmore Hotel, Gaborone, Botswana.
- Lillian Mookodi and David Mmopelwa attended the breakfast seminar on Water Pricing and Policy in Botswana. The seminar was held at the Gaborone Sun Hotel and Casino on the 20th of August, 2013.
- David Mmopelwa attended the Botswana Core Welfare Indicator Survey dissemination seminar organised by Statistics Botswana on the 28th August 2013 at Cresta Lodge, Gaborone Botswana.
- Grace Tabengwa and Patrick Malope attended the Launch of the Global Competitiveness Report 2013/14 and Press Conference of the BNPC and World Economic Forum, Lansmore Hotel. 4th September, 2013, Gaborone, Botswana.
- David Mmopelwa attended a Comprehensive Africa Agricultural Development Programmeme (CAADP) Southern Africa Nutrition Capacity Development Workshop, with the theme "Mainstreaming nutrition in National Agriculture and Food Security Investment Plans in Africa", 9-13th September 2013. Gaborone, Botswana.
- Dr. M. Sengwaketse and Mr. J. Maitetso attended a Regional Briefing on Small States in Southern Africa - Botswana and Namibia in Regional, Continental and Global processes, on the 10th of September, 2013, at Masa Lansmore Hotel.
- Naledi Modisaatsone -Attended a training workshop on development of capacity indicators hosted by the African Capacity Building Foundation in Bujumbura, 24-27 September 2013.
- Prof. Patrick Malope attended a workshop on Regionalizing Inputs from Limpopo Basin Development Challenge, 21-22 October 2013, Southern Sun, South Africa.
- Ms K. Sekakela attended the China-Africa Symposium: Fifty Years Of China-Africa Cooperation: Background, Progress and Significance-Africa Perspective on China –Africa Relations and the Development Experience, 22-24th October 2013, Harare. She presented on 'The impacts of trading with China on Africa: The Case of Botswana'.
- David Mmopelwa attended a breakfast seminar on the implementation of the Child Act at Cresta lodge on the 31st October, 2013: Gaborone, Botswana.
- Ms Kedibonye Sekakela attended a training on Competition Policy, 6th November 2013, Gaborone.
- Mr. M. Motswapong attended Workshops for Global Expo 2013, 22nd November, 2013, Gaborone.
- Ms K. Sekakela attended a workshop on Water Allocation and Pricing Strategies hosted by Department of Water Affairs (DWA) in collaboration with Stockholm International Water Institute (SIWI), 24th November, 2013, Maun. She presented a paper titled 'Water pricing and allocation strategies in Botswana'.
- David Mmopelwa, Raymond Lekobane and Lillian Mookodi attended the 2011 Population and Housing Census Dissemination from the 9th to 12th December, 2013.

- Grace Tabengwa and Patrick Malope: Attended the BIDPA/World Bank Social Protection Report Dissemination Workshop, 28th January 2014, Gaborone Sun, Gaborone Botswana.
- Mr. J. Maiketso attended a Workshop on Constructive Debate on the EPA in Southern African Development Community, 30-31 January, 2014 in Cape Town, South Africa.
- David Mmopelwa and Pelotshweu Moepeng attended a Symposium on Statistical Development (ASSD), under the theme, "Promoting Use of Civil Registration and Vital Statistics in Support of good Governance in Africa", 17th to 21st February, 2014, Gaborone, Botswana.
- David Mmopelwa attended the Agricultural Public Expenditure Review workshop on the 20th February, 2014, organised by the Ministry of Agriculture: Gaborone, Botswana.
- Pelotshweu Moepeng attended the Preliminary Discussion Draft on The Minerals Policy of Botswana hosted by Commonwealth Secretariat London, Marlborough House, 4 March 2014, Gaborone.
- Pelotshweu Moepeng attended the NGO Biennial Conference on Positioning NGOs in a changing national and global landscape: Strategic partnership for Sustainable Development hosted by BOCONGO, 11-13th March 2014: Gaborone.
- Professor R. Grynberg attended a Workshop organized by the Competition Authority and Presented a paper on "Beef Industry and Competitiveness" on March 2014, in Maun

#### Staff Training

- Mr K. R. Lekobane and Prof. P. Malope attended a training course on in Value Chain Analysis and applications of Systems conducted by the International Livestock Research Institute in Kenya, Nairobi, from 1st July to 5th July 2013.
- Lillian Mookodi attended the 2013 Population Association of Southern Africa Pre- Training Workshop on Policy Relevant Data Analysis & Dissemination capacity building on the 7-9 July, 2013 at the University of Botswana.
- Mr K. R. Lekobane helped with the data processing (coding, designing data template, cleaning and

analysis) for the Ministry of Foreign Affairs and International Cooperation (MFAIC) on the Foreign Policy Survey and also trained the MFAIC staff on the use of SPSS.

- David Mmopelwa completed an online course on "reproductive health: from advocacy to action", offered by the World Bank Institute, 6th February 2014 to 19th March 2014.
- Naledi Modisaatsone -Attended a training workshop on development of capacity indicators hosted by the African Capacity Building Foundation in Bujumbura, 24-27 September 2013.
- Naledi Modisaatsone: Attended training workshop on Research Methods, Design, Supervision and publications. Johannesburg, South Africa. 21-22 February 2013.

#### Membership of Taskforces

BIDPA staff participate in a number of taskforces established by Government to provide technical support to various Government Departments and Ministries. This is part of the BIDPA mandate to provide technical expertise in those areas. These included:

1. The task force on the review of foreign exchange policy, food security and food production in Botswana hosted by the Ministry of Foreign Affairs
2. Poverty Eradication and Abject Poverty in Botswana hosted by the Botswana Society.
3. Transformation to Poverty Eradication by Vision 2016 Council.
4. Review of Literature on Tertiary Education hosted by Tertiary Education Council.
5. Botswana home grown school feeding technical development/improvement plan meeting, July 2013, Gaborone.
6. Statistical Development (ASSD), under the theme, "Promoting Use of Civil Registration and Vital Statistics in Support of Good Governance in Africa", 17th to 21st February, 2014, Gaborone, Botswana.
7. Preliminary Discussion Draft, The Minerals Policy of Botswana hosted by Commonwealth Secretariat London, Marlborough House, 4 March 2014.



8. Stakeholder Discussion Draft, Anti Corruption Policy for Botswana hosted by DCEC and BIDPA, 18 March 2014.
9. Dr. Pelotshweu Moepeng is a member of the University of Botswana Economics Technical Committee (ETC).
10. Prof. Patrick Malope is the Chairperson of the Technical Reference Group overseeing the development of Botswana's Climate Change Policy and Strategy.

## DISSEMINATION AND PUBLICATIONS

### Publications

#### BIDPA Working Paper series

1. Seleka, T. B. and Lekobane, K. R., (2014). Public Transfers and Subsistence Producer Disincentives in Botswana: Empirical Evidence from Botswana. BIDPA Working Paper No. 37.

#### BIDPA Publication Series

2. Grynberg, R., Sengwaketse, M. and Motswapong, M. (2014), Synthetic Gem Quality Diamonds and their Potential Impact on the Botswana Economy. BIDPA Publication Series.

#### BIDPA Policy Brief

3. Keneilwe Pearl Marata, Effective Budget Oversight in Botswana: Role of the Legislature and the Office of the Auditor General - BIDPA Policy Brief No. 12.
4. Grace Tabengwa and Boikanyo Sekwati - 2014/15 Botswana Government Budget Analysis: BIDPA Briefing

### Books

5. Phirinyane, M. B. (ed). (2013). Elections and the Management of Diversity in Botswana: Gaborone, Botswana: Lentswe la Lesedi.
6. World Bank & BIDPA (2013). Botswana Social Protection Assessment. Gaborone: World Bank Office

### Book Chapters

7. Phirinyane, M. (2013). Context: History and political economy. In Phirinyane, M. B. (ed). Elections and the Management of Diversity in Botswana: Gaborone, Botswana: Lentswe la Lesedi.
8. Lekobane, R. (2013). Methodological chapter. In Phirinyane, M. B. (ed). Elections and the Management of Diversity in Botswana: Gaborone, Botswana: Lentswe la Lesedi.
9. Kaboyakgosi, G. (2013). State, Society structure and Process of Governance. In Phirinyane, M. B. (ed). Elections and the Management of Diversity in Botswana: Gaborone, Botswana: Lentswe la Lesedi. (Gape Kaboyakgosi).
10. Keneilwe S. Mooketsane, K.S. (2013). The Dynamics of Competitive Party Politics. In Phirinyane, M. B. (ed). Elections and the Management of Diversity in Botswana: Gaborone, Botswana: Lentswe la Lesedi.
11. Phirinyane, M. B. (2013). The Dynamics of Electoral Governance. In Phirinyane, M. B. (ed). Elections and the Management of Diversity in Botswana: Gaborone, Botswana: Lentswe la Lesedi.
12. Phirinyane, M. B. (2013). Elections, Diversity and Political Violence. In Phirinyane, M. B. (ed). Elections and the Management of Diversity in Botswana: Gaborone, Botswana: Lentswe la Lesedi.
13. Kaboyakgosi, G. and D.Mmopelwa (2013). Economics of Elections. In Phirinyane, M. B. (ed). Elections and the Management of Diversity in Botswana: Gaborone, Botswana: Lentswe la Lesedi.
14. Marata, K. P. (2013). Constitutional, Political and Electoral Reform. In Phirinyane, M. B. (ed). Elections and the Management of Diversity in Botswana: Gaborone, Botswana: Lentswe la Lesedi.
15. Phirinyane, M. B. (2013). Elections and Managing Diversity: Policy Options and Way Forward. In Phirinyane, M. B. (ed). Elections and the Management of Diversity in Botswana: Gaborone, Botswana: Lentswe la Lesedi.

### Journal Articles

16. Tabengwa, G. (2014). Impact of Shocks to Public Debt and Government Expenditure on Human Capital and Growth in Developing Countries. *Journal of Economics and Behavioral Studies* Vol. 6, No. 1, pp. 44-67.
17. Modisaatsone, N.C. & Motlaleng, G. R. (2013) – Impact of Exchange Rate Volatility on Botswana's Imports. *E3 Journal of Business Management and Economics* Vol. 4(5). pp. 125-138.
18. Naledi Modisaatsone (2013) - What Drives Private Savings in Botswana, *Journal of Economics and Behavioral Studies* Vol. 5, No. 9, pp. 603-611, September 2013
19. Okurut, N., Kapaletswe, F., & Mmopelwa, D. (2013) Determinants of Birth Weight in Botswana. *International Journal of Academic Research in Economics and Management Sciences*, 2 (52): 2226-3524.

### Public Forums

1. Naledi Modisaatsone presented a paper on SADC Macroeconomic Convergence in the context of RISDP, at the SADC-CNGO workshop on the 5th of June 2013.
2. Mr K. R. Lekobane Presented at a seminar for the Heads of Missions (validation workshop) on the Foreign Policy survey that was carried out by the Ministry of Foreign Affairs and International Cooperation (MoFAIC), GICC Hotel on the 12th September 2013.
3. Mr K. R. Lekobane Presented at a BIDPA breakfast seminar (validation workshop) on the Citizen Report Card study that was carried out for the Vision 2016 Secretariat, Phakalane Golf Estate Hotel on the 13th of August, 2013.
4. Mr. D. Mmopelwa presented a paper on "Assessing Household Wealth Status: An Asset Based Approach", at the 2011 Population and Housing Census Dissemination Conference; December 9th to 12th, 2013. Gaborone, Botswana. The paper is co-authored with Mr K.R Lekobane.
5. Dr Grace Tabengwa: Panelist at BTV 2014/15 live Budget Discussion. BTV, 3rd February 2014.
6. Dr Grace Tabengwa- BIDPA Internal Presentation . 2014/15 Botswana Government Budget Analysis Draft Budget Briefing Presentation, February, 2014
7. Mr K. R. Lekobane Participated in a radio show at Gabz fm discussing Botswana Social Protection Assessment and Ipelegeng on the 5th March 2014.
8. Dr Grace Tabengwa-Presentation hosted by Botswana National Youth Centre, "2014/15 Botswana Government Budget and Implications for the Youth" on the 19 March 2014. Multipurpose Hall, Fairground Holdings, Gaborone, Botswana.
9. Prof P. Malope participated on Radio Botswana Discussion on the 2014/15 Budget Presentation to Parliament.
10. Dr Grace Tabengwa-Panelist at Radio Botswana Budget Discussion for Tsele-leTsele Programmeme, 2014/15 Budget and Economic Status.
11. Dr. Sengwaketse was a discussant at the Global Expo 2013 on a paper titled 'How Can Regional Integration within SADC Help Position Botswana as a Regional Economic Hub: A Case of Kenya' on 20th November, 2013, Gaborone.
12. The Trade Unit hosted a breakfast seminar for Water Pricing and Policy in Botswana, 30th August, 2013, Gaborone.

### Meetings

1. Raymond Lekobane and David Mmopelwa attended Statistics Botswana meeting at Statistics Botswana Office to discuss analysis of the 2011 population and housing census on the 20th September, 2013.
2. Pelotshweu Moepeng and David Mmopelwa attended a civil society meeting organised by BOCONGO at Fairgrounds on the 24th September 2013.
3. Dr. P. Moepeng was a Participant in Botswana home grown school feeding technical development/ improvement plan meeting, July 2013, Gaborone.



## STAFF ISSUES

### Recruitment

The Institute welcomed Professor Patrick Malope who joined the Institute in June 2013 to head the Microeconomics Unit. Patrick Malope was formerly Associate Professor and Head of the Department of Agricultural Economics, Education and Extension, at the Botswana College of Agriculture where he taught agricultural economics. He is well published in referred Journals, books, and monographs.

### Resignations

Two research staff resigned from the Botswana Institute for Development Policy Analysis. Ms Fidelity Monthe joined the National Strategy Office (NSO) while Ms Motshabi Tebape joined the Botswana National Productivity Centre. We wish them growth in their professions.



# Financials

Annual Financial Statements for the year ended 31 March 2014

## General Information

Country of incorporation and domicile	Botswana
Nature of business and principal activities	Botswana Institute for Development Policy Analysis (the "Institute") is an autonomous, non-governmental research Institute established by a trust deed (MAI 6/95). It is involved in policy development analysis and capacity building in Botswana.
Trustees	Ms. M. Machailo – Ellis (Chairperson) Mr. O. Motshidisi Mr. K. Ndobano Mr. P. Draper Prof. P. M. Makepe Ms. C. O. Ramalefo Mrs S. George
Secretary	Dr. T. B. Seleka
Business address	BIDPA House Plot 134, Gaborone International Finance Park Gaborone
Bankers	Capital Bank Limited Barclays Bank of Botswana Limited Bank Gaborone Limited African Banking Corporation of Botswana Limited Standard Chartered Bank Botswana Limited
Auditors	KPMG
Presentation currency	Botswana Pula (BWP)

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### Trustees' responsibility statement and financial statements approval for the year ended 31 March 2014

The Trustees are required by the Deed of Trust (MA 16/95) to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in financial statements. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Institute as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Trustees acknowledge that they are ultimately responsible for the system of internal financial control established by the Institute and place considerable importance on maintaining a strong control environment. To enable management to meet these responsibilities, the Board of Trustees sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Institute and all employees are required to maintain the highest ethical standards in ensuring the Institute's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Institute is on identifying, assessing, managing and monitoring all known forms of risk across the Institute. While operating risk cannot be fully eliminated, the Institute endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Trustees are of the opinion that, based on the information and explanations given by management, the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance.

#### Approval of the annual financial statements:

The annual financial statements set out on pages 28 to 50 for the year ended 31 March 2014, which have been prepared on the going concern basis, were approved by the Board of Trustees on and were signed on its behalf by:



Trustee



Trustee

Gaborone



Chartered Accountants Audit  
Plot 67977, Off Tlokweng Road,  
Fairground Park  
PO Box 1519, Gaborone, Botswana

Telephone +267 3912400  
Fax +267 3975281  
Web <http://www.kpmg.com/>

## Independent Auditor's Report To the Board of Trustees of Botswana Institute for Development Policy Analysis

We have audited the financial statements of Botswana Institute for Development Policy Analysis (the "Institute"), which comprise the statement of financial position as at 31 March 2014, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 4 to 26.

### Trustees' responsibility for the financial statements

The Institute's Trustees are responsible for the preparation and fair presentation of these annual financial statements in accordance with International Financial Reporting Standards, the requirements of the Deed of Trust (MA 16/95) and for such internal control as the management determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

### Auditor's responsibility

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

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

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

### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Botswana Institute for Development Policy Analysis as at 31 March 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG  
Certified Auditors  
Practicing member: A.G. Devlin (19960060:23)

Gaborone  
21 October 2014

KPMG, a partnership domiciled in Botswana and a member firm of the KPMG network of independent member firms affiliated with International Cooperative ("KPMG International"), a Swiss entity

AG Devlin\* NP Dixon-Waren FJ Roos\*\*  
\*British \*\*South African  
VAT Number: P03623901112

Statement of financial position  
at 31 March 2014  
In Pula

	Notes	2014	2013
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2	<u>14 043 500</u>	<u>14 369 771</u>
<b>Current assets</b>			
Trade and other receivables	3	2 458 075	2 800 473
Other financial assets	4	4 384 326	2 802 619
Cash and cash equivalents	5	<u>7 629 120</u>	<u>6 055 782</u>
		<u>14 471 521</u>	<u>11 658 874</u>
Total assets		<u>28 515 021</u>	<u>26 028 645</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Reserves		13 092 935	13 474 936
Retained earnings		<u>8 702 903</u>	<u>5 646 241</u>
		<u>21 795 838</u>	<u>19 121 177</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	6	6 719 183	5 605 124
Deferred income	7	-	<u>1 302 344</u>
		<u>6 719 183</u>	<u>6 907 468</u>
Total equity and liabilities		<u>28 515 021</u>	<u>26 028 645</u>

Statement of profit or loss and other comprehensive income  
for the year ended 31 March 2014  
In Pula

		2014	2013
Revenue		3 769 671	4240 275
Grant income	9	18 112 263	17 124 563
Other income	11	740 278	807 567
Operating expenses		<u>(19 781 709)</u>	<u>(21 121 796)</u>
Operating surplus	8	2 840 503	1050 609
Investment income	10	<u>216 159</u>	<u>118 813</u>
<b>Surplus for the year</b>		<u>3 056 662</u>	<u>1169 422</u>
Total surplus for the year		<u>3 056 662</u>	<u>1169 422</u>

Statement of changes in equity  
for the year ended 31 March 2014  
In Pula

	Revaluation reserve	Capital grants	Unutilised capital grants	Total reserves	Accumulate surplus	Total funds and reserves
<b>Balance at 01 April 2012</b>	10 850 761	2 839 350	42 157	13 732 268	4 443 319	18 175 587
Changes in equity						
Revaluation adjustments	(370 247)	-	-	(370 247)	-	(370 247)
Transfer on disposal of motor vehicle	(33 500)	-	-	(33 500)	33 500	-
Total surplus for the year	-	-	-	-	1 169 422	1 169 422
Capital grant received during the year	-	748 438	-	748 438	-	748 438
Transfer (from)/to unutilised capital grants	-	(635 966)	635 966	-	-	-
Amortisation of capital grants	-	(602 023)	-	(602 023)	-	(602 023)
<b>Balance at 01 April 2013</b>	10 447 014	2 849 799	678 123	13 474 936	5 646 241	19 121 177
<b>Balance at 01 April 2013</b>	10 447 014	2 349 799	678 123	13 474 936	5 646 241	19 121 177
Changes in equity						
Total surplus for the year	-	-	-	-	3 056 662	3 056 662
Capital grant received during the year	-	220 737	-	220 737	-	220 737
Transfer to/(from) unutilised capital grants	-	95 589	(95 589)	-	-	-
Amortisation of capital grants	-	(602 738)	-	(602 738)	-	(602 738)
<b>Balance at 31 March 2014</b>	10 447 014	2 063 387	582 534	13 092 935	8 702 903	21 795 838

The Institute receives grants towards acquisition of assets from Government of Botswana. These grants do not carry any terms of repayment and ownership vests with the Institute until such time as decided by the government. The Institute has set up the grants as capital grants which are non distributable.



Statement of cash flows  
for the year ended 31 March 2014  
In Pula

	Notes	2014	2013
<b>Operating activities</b>			
Cash generated from operations	14	3 027 315	1 087 418
Investment income	10	<u>216 159</u>	<u>118 813</u>
<b>Net cash flow from operating activities</b>		<b>3 243 474</b>	<b>1 206 231</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	2	(316 326)	(112 472)
Proceeds from disposal of property, plant and equipment		7 160	10 000
(Purchase)/sale of financial assets		<u>(1 581 707)</u>	<u>102 059</u>
<b>Cash (utilised in)/generated from investing activities</b>		<b>(1 890 873)</b>	<b>(413)</b>
<b>Financing activities</b>			
Capital grants received during the year		<u>220 737</u>	<u>748 438</u>
<b>Net increase in cash and cash equivalents</b>		<b>1 573 338</b>	<b>1 954 256</b>
Cash and cash equivalents at beginning of the year		<u>6 055 782</u>	<u>4 101 526</u>
<b>Cash and cash equivalents at end of the year</b>	5	<b><u>7 629 120</u></b>	<b><u>6 055 782</u></b>

## Notes to the financial statements for the year ended 31 March 2014

### 1.1 Basis of preparation

- a) Statement of compliance  
The annual financial statements have been prepared in accordance with International Financial Reporting Standards.
- b) Functional and presentation currency  
These financial statements are presented in Botswana Pula, which is also the functional currency of the Institute.
- c) Use of estimates and judgements  
In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Institute's accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Judgements made in applying accounting policies that have the most significant effects on amounts recognised in the financial statements include:

#### Trade and other receivables

The Institute assesses its trade and other receivables and held-to-maturity investments for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the Institute makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade and other receivables and held to maturity investments is calculated on an individual basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the receivable.

#### Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

#### Impairment testing

The recoverable amounts of individual assets have been determined based on the higher of value-in use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption by management may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The Institute reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are instituted at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each institute of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, supply demand, together with economic factors such as exchange rates, inflation and interest.

**Notes to the financial statements (continued)  
for the year ended 31 March 2014**

1.1(c) Use of estimates and judgements (continued)

**Provisions**

Provisions were raised and management determined an estimate based on the information available.

**Useful life and residual value of property, plant and equipment**

The estimates of useful lives as translated into depreciation rates are detailed in property, plant and equipment policy on the annual financial statements. These rates and residual lives of the assets are reviewed annually taking cognisance of the forecasted commercial and economic realities and through benchmarking of accounting treatments in the industry.

1.2 Significant accounting policies

The accounting policies set out below have been applied consistently in all material respects to all periods presented in these financial statements;

1.2.1 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the Institute; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for motor vehicles, land and buildings which are carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment loss. Any revaluation surplus is recognised in other comprehensive income and credited to the revaluation reserve in equity. To the extent that any revaluation decrease or impairment loss has previously been recognised in profit and loss, a revaluation increase is credited to profit and loss with the remaining part of the increase recognised in other comprehensive income. Downward revaluations of land are recognised upon appraisal or impairment testing, with the decrease being charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and any remaining decrease recognised in profit or loss.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

Property, plant and equipment are depreciated over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Land	99 years
Buildings	40 years
Household Furniture	5 years
Furniture and fixtures	10 years
Motor vehicles	4 years
Office equipment	5 years
IT equipment	4 years
Library books	2 years

## Notes to the financial statements (continued) for the year ended 31 March 2014

### 1.2 Significant accounting policies (continued)

#### 1.2.1 Property, plant and equipment (continued)

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item

#### 1.2.2 Financial assets and liabilities – Recognition and Measurement

##### Financial assets and liabilities

The institution classifies its financial assets into the following measurement categories: a) financial assets held at fair value through profit or loss; b) loans and receivables; c) held-to-maturity investments, and d) available-for-sale financial assets. Financial liabilities are classified as either held at fair value through profit or loss, or at amortised cost. Management determines the classification of its financial assets and liabilities at initial recognition or, where appropriate, at the time of reclassification.

#### (i) Financial assets and liabilities held at fair value through profit or loss

This category has two sub-categories: financial assets and liabilities held for trading, and those designated at fair value through profit or loss at inception. A financial asset or liability is classified as trading if acquired principally for the purpose of selling in the short term.

Financial assets and liabilities may be designated at fair value through profit or loss when:

- the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis; or
- a group of financial assets and/or liabilities is managed and its performance evaluated on a fair value basis; or
- the assets or liabilities include embedded derivatives and such derivatives are required to be recognised separately.

There are no financial assets and liabilities held at fair value through profit or loss at the reporting date.

#### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and it is expected that substantially all of the initial investment will be recovered, other than because of credit deterioration. Loans and receivables include amounts receivable from customers, other assets and other liabilities.

#### (iii) Held-to-maturity

Held-to-maturity assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Institution's management has the positive intention and ability to hold to maturity. Held-to-maturity assets include other financial assets.

#### (iv) Available-for-sale

Available-for-sale assets are those non-derivative financial assets intended to be held for an indefinite period of time, which may be sold in response to liquidity requirements or changes in interest rates, exchange rates, commodity prices or equity prices. There are no available-for-sale assets held at the reporting date.

## Notes to the financial statements for the year ended 31 March 2014

### 1.2 Significant accounting policies (continued)

#### 1.2.2 Financial assets and liabilities (continued)

##### Initial recognition

Purchases and sales of financial assets and liabilities held at fair value through profit or loss, financial assets held-to-maturity and available-for-sale are initially recognised on trade-date (the date on which the Institution commits to purchase or sell the asset). Financial assets and financial liabilities are initially recognised at fair value plus, for those financial assets and liabilities not carried at fair value through profit and loss, directly attributable transaction costs. In those cases where the initially recognised fair value is based on a valuation model that uses inputs which are not observable in the market, the difference between the transaction price and the valuation model is not recognised immediately in profit or loss. The difference is amortised to profit or loss until the inputs become observable, or the transaction matures or is terminated.

##### Subsequent measurement

Financial assets and liabilities held at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value taken directly to profit or loss.

Available-for-sale financial assets are subsequently carried at fair value, with gains and losses arising from changes in fair value recognised in other comprehensive income and

accumulated in the available for sale reserve in equity until the asset is sold, or is impaired, when the cumulative gain or loss is transferred to profit or loss.

Loans and receivables and held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method.

##### Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Institute has transferred substantially all risks and rewards of ownership. If substantially all the risks and rewards have been neither retained nor transferred and the Institute has retained control, the assets continue to be recognised to the extent of the Institute's continuing involvement. Financial liabilities are derecognised when they are extinguished.

##### Impairment of financial assets

The Institute assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets not carried at fair value through profit or loss is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.



## Notes to the financial statements (continued) for the year ended 31 March 2014

### 1.2 Significant accounting policies (continued)

#### 1.2.2 Financial assets and liabilities (continued)

##### Impairment of financial assets (continued)

The following factors are considered in assessing objective evidence of impairment:

- the Institution consents to a restructuring of the obligation, resulting in a diminished financial obligation, demonstrated by a material forgiveness of debt or postponement of scheduled payments;
- the Institution sells a credit obligation at a material credit-related economic loss; or
- there is observable data indicating that there is a measurable decrease in the estimated future cash flows of a group of financial assets, although the decrease cannot yet be identified with specific individual financial assets.

The Institution first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

If the Institution determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics

and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a receivable or a held-to-maturity asset has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. If a receivable or held-to-maturity asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

To the extent a receivable is irrecoverable, it is written off against the related provision for allowance for credit losses. Such receivables are written off after all the necessary procedures have been completed, it is decided that there is no realistic probability of recovery and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the allowance for credit losses in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

## Notes to the financial statements(continued) for the year ended 31 March 2014

### 1.2 Significant accounting policies (continued)

#### 1.2.2 Financial assets and liabilities (continued)

##### Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability at the measurement date in the principal or, in its absence, the most advantageous market to which the Institution has access.

The Institution measures the fair value of an instrument using the quoted price in an active market for that instrument, where available. If there is no quoted price in an active market, the Institution uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Institution determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Institution measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The Institute recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

##### Cash and cash equivalents

Cash and cash equivalent include notes and coins on hand, unrestricted balances held with banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Institution in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

##### Impairment of non financial assets

The carrying amount of the Institute's non-financial assets is reviewed at each year-end to determine whether there is any indication of impairment. If any such indication exists the asset's recoverable amount is estimated. An impairment loss is recognised when the carrying amount of an asset or its cash generating unit exceeds its recoverable amount and all impairment losses are recognised in profit or loss.

In respect of other assets an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation if no impairment loss had been recognised.

#### Notes to the financial statements(continued) for the year ended 31 March 2014

### 1.2 Significant accounting policies (continued)

#### 1.2.3 Tax

The Institute is exempt from paying income tax as per the provisions of the Income Tax Act (Cap 52:01).

#### 1.2.4 Employee benefits

##### Short term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical aid), are recognised in the period in which the service is rendered and are not discounted. The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

#### 1.2.5 Provisions and contingencies

Provisions are recognised when:

- the Institute has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Provisions are not recognised for future operating losses. If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Management applies its judgement to facts and advice it receives from its attorneys, advocates and other advisors in assessing if an obligation is probable, more likely than not, or remote. The judgement application is used to determine if the obligation is recognised as a liability or disclosed as a contingent liability. Contingent assets and contingent liabilities are not recognised.

#### 1.2.6 Government grants

Government grants are recognised when there is reasonable assurance that:

- the Institute will comply with the conditions attaching to them; and
- the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Government grants related to assets, including non-monetary grants at fair value, are presented in the statement of financial position by setting up the grant as part of non distributable equity and classified as capital grants. Unutilised portions are set aside for future use.

Grants related to income are presented as a credit in the profit or loss (separately).

#### Notes to the financial statements for the year ended 31 March 2014

### 1.2 Significant accounting policies (continued)

#### 1.2.6 Government grants (continued)

Repayment of a grant related to income is applied first against any un-amortised deferred credit set up in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or where no deferred credit exists, the repayment is recognised immediately as an expense.

#### 1.2.7 Revenue

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

#### 1.2.8 Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Pulas, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Cash flows arising from transactions in a foreign currency are recorded in Pula by applying to the foreign currency amount the exchange rate between the Pula and the foreign currency at the date of the cash flow.

## Notes to the annual financial statements for the year ended 31 March 2014

### 1.3 New standards and interpretations not yet adopted

The following are new standards, amendments to standards and interpretations which are not yet effective for the year ended 31 March 2014 and have not been applied in preparing these annual financial statements:

***Amendments to IAS 32 Financial Instruments: Presentation: Offsetting Financial Assets and Financial Liabilities:***

The amendments clarify when an entity can offset financial assets and financial liabilities. This amendment is effective for the entity's 2015 financial statements and is not expected to have any impact on the financial statements.

***Amendments to IFRS 10, IFRS 12 and IAS 27: Investment entities:***

These amendments clarify that a qualifying investment entity is required to account for investments in controlled entities, as well as investments in associates and joint ventures, at fair value through profit or loss. The only exception would be subsidiaries that are considered an extension of the investment entity's investment activities. The consolidation exemption is mandatory and not optional. These amendments which become effective for the entity's 2015 financial statements, with early adoption permitted, are not expected to have any impact on the financial statements.

***Amendments to IAS 36: Recoverable amount disclosures for non-financial assets:***

These amendments reverse the unintended requirement in IFRS 13 Fair Value Measurement to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under these amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognised or reversed. These amendments, which become effective for the entity's 2015 financial statements, with retrospective adjustments for periods commencing 1 January 2014 and early adoption permitted, are not expected to have any impact on the financial statements.

***Amendments to IAS 39: Novation of derivatives and continuation of hedge accounting:***

IAS 39 Financial Instruments: Recognition and Measurement requires an entity to discontinue hedge accounting if the derivative hedging instrument is novated to a clearing counterparty, unless the hedging instrument is being replaced as part of the entity's original documented hedging strategy. These amendments add a limited exception to IAS 39, to provide relief from discounting an existing hedging relationship, when a novation was not contemplated and the original hedging documentation meets specific criteria. These amendments, which become effective for the entity's 2015 financial statements, with retrospective adjustments for periods commencing 1 January 2014 and early adoption permitted, are not expected to have any impact on its financial statements.



**Amendments to IAS 19: Defined benefit plans: Employee contributions:** These amendments introduce relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. Such contributions are eligible for practical expedient if they are:

- set out in the formal terms of the plan;
- linked to service; and
- independent of the number of years of service.

When contributions are eligible for the practical expedient, an entity is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered. If an entity with a defined benefit plan that requires employees to contribute to the plan chooses to apply this amendment, the entity will recognise the contributions as reduction of the service costs in the period in which the related service is rendered. This amendment which becomes effective for the entity's 2015 financial statements, with retrospective adjustments for periods commencing 1 July 2014 and early adoption permitted, is not expected to have any impact on its financial statements.

#### Notes to the annual financial statements (continued) for the year ended 31 March 2014

##### 1.3 New standards and interpretations not yet adopted (continued)

**IFRS 9 Financial instruments:** IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

The effective date of IFRS 9 was 1 January 2015. The effective date has been postponed and a new date is yet to be specified. The entity will adopt the standard in the first annual period beginning on or after the mandatory effective date (once specified). The impact of the adoption of IFRS 9 has not yet been estimated as the standard is still being revised and impairment and macro-hedge accounting guidance is still outstanding.

**IFRIC 21 Levies:** Levies have become more common in recent years, with governments in a number of jurisdictions introducing levies to raise additional income. Current practice on how to account for these levies is mixed. IFRIC 21 provides guidance on accounting for levies in accordance with IAS 37 Provisions, Contingent Liabilities and Assets. This amendment, which becomes effective for the entity's 2014 financial statements, with retrospective adjustments for periods commencing 1 January 2014, is not expected to have any impact on its financial statements.

**IFRS 14 Regulatory Deferral Accounts:** IFRS 14 provides guidance on accounting for regulatory deferral account balances by first-time adopters of IFRS. To apply this standard, the entity has to be rate-regulated i.e. the establishment of prices that can be charged to its customers for goods and services is subject to oversight and/or approval by an authorised body.

It permits first-time adopters of IFRS to continue using previous Generally Acceptable Accounting Practice (GAAP) to account for the regulatory deferral account balances. Entities can apply this interim standard only if they accounted for regulatory deferral account balances in their financial statements immediately before transition to IFRS. The standard is effective for financial reporting years beginning on or after 1 January 2016 with early adoption is permitted, is not expected to have any impact on the entity's financial statements.

Notes to the annual financial statements (continued)  
for the year ended 31 March 2014  
In Pula

2. Property, plant and equipment

	Land and buildings	Furniture and fixtures	Office equipment	Motor vehicles	Computer software	Library books	Total
<b>Cost/valuation</b>							
Balance at 1 April 2013	13 621 579	904 560	647 015	805 512	1 557 348	586 126	18 122 140
Additions	-	-	10 170	178 200	118 545	9 411	316 326
Disposals	-	-	-	-	-	(7 160)	(7 160)
<b>At 31 March 2014</b>	<b>13 621 579</b>	<b>904 560</b>	<b>657 185</b>	<b>983 712</b>	<b>1 675 893</b>	<b>588 377</b>	<b>18 431 306</b>
<b>Depreciation and impairment</b>							
Balance at 1 April 2013	291 789	748 933	598 023	198 753	1 355 370	559 501	3 752 369
Depreciation charge	263 108	27 469	16 638	205 966	103 085	19 171	635 437
<b>At 31 March 2014</b>	<b>554 897</b>	<b>776 402</b>	<b>614 661</b>	<b>404 719</b>	<b>1 458 455</b>	<b>578 672</b>	<b>4 387 806</b>
<b>Net book value – 2014</b>	<b>13 066 682</b>	<b>128 158</b>	<b>42 524</b>	<b>578 993</b>	<b>217 438</b>	<b>9 705</b>	<b>14 043 500</b>
<b>Net book value – 2013</b>	<b>13 329 790</b>	<b>155 627</b>	<b>48 992</b>	<b>606 759</b>	<b>201 978</b>	<b>26 625</b>	<b>14 369 771</b>

Revaluations

The land and buildings comprises property situated at Portion 134, Farm Hill, South East Administrative which houses the Institute's administrative building "BIDPA House" and were valued by Roscoe Bonna, professional independent valuers in August 2012. The valuation method used by the professional valuers was based on the RICS appraisal and valuation manual which considers the assumption of a willing buyer, given the state, condition of the building, repairs, environmental and site factors and the market trend.

Motor vehicles were revalued in August 2012 by various car dealership agents such as Motor Centre Botswana, Broadhurst Motors and Lesedi Motors. These are registered professional car dealers recognised in Botswana. Their method considers state of the vehicle, willing buyer and repairs needed.

The carrying value of the revalued assets under the cost model would have been:

	2014	2013
Land	300 000	300 000
Buildings	3 357 636	3 443 729
Motor vehicle	420 544	366 094

Notes to the annual financial statements (continued)  
for the year ended 31 March 2014  
In Pula

	2014	2013
<b>3. Trade and other receivables</b>		
Trade receivables	1 835 960	1 217 630
Other receivables	604 001	1 565 356
Deposits	8 000	7 000
Prepayment	<u>10 114</u>	<u>10 487</u>
	<u>2 458 075</u>	<u>2 800 473</u>

**Trade receivables past due but not impaired**

Trade receivables that are less than 3 months past due are not considered impaired. At 31 March 2014, P259 492 (2013: P1 102 710) were past due but not impaired.

	2014		2013	
	Gross amount	Impairment provision	Gross amount	Impairment provision
Current	1 554 126	-	1 14 920	-
1 to 30 days	22 342	-	-	-
31 to 60 days	-	-	-	-
61 to 90 days	-	-	-	-
91 days and over	<u>259 492</u>	-	<u>1 102 710</u>	-
	<u>1 835 960</u>	-	<u>1 217 630</u>	-

The carrying amount of trade and other receivables approximates their fair value.

The credit quality of trade receivables that are neither past nor due nor impaired can be assessed as good since most of these are non-governmental organisations with adequate support from their respective governments. Over 30% of amounts due for over 90 days at reporting period were received subsequent to 31 March 2014.

<b>4. Other financial assets</b>	2014	2013
At fair value through profit or loss-held for trading		
Africa 53 Market Fund	-	1 916 250
Stanlib Botswana Money Market Fund	<u>257 786</u>	<u>248 462</u>
These are money market investment which are carried at an interest rate of 4.2% and 4.9% per annum respectively.	<u>257 786</u>	<u>2 164 712</u>
Held to maturity		
Bank Gaborone Limited	3 449 434	-
Capital Bank Limited	<u>677 106</u>	<u>637 907</u>
These are short-term investments that carry interest at 6.8% and 7% respectively.	<u>4 126 540</u>	<u>637 907</u>

Notes to the annual financial statements (continued)  
for the year ended 31 March 2014  
In Pula

	2014	2013
<b>4. Other financial assets (continued)</b>		
<b>Current assets</b>		
At fair value through profit or loss - held for trading	257 786	2 164 712
Held to maturity	<u>4 126 540</u>	<u>637 907</u>
	<u>4 384 326</u>	<u>2 802 619</u>
<b>5. Cash and cash equivalents</b>		
Cash on hand	5 001	5 120
Bank balance	<u>7 624 119</u>	<u>6 050 662</u>
	<u>7 629 120</u>	<u>6 055 782</u>
<b>6. Trade and other payables</b>		
Trade payables	966	125 160
Accrued leave pay	785 995	883 119
Gratuity provision	5 643 667	3 919 810
Other payables	222 403	648 981
Value added tax	<u>66 152</u>	<u>28 054</u>
	<u>6 719 183</u>	<u>5 605 124</u>
<b>7. Deferred income</b>		
Advance income	<u>-</u>	<u>1 302 344</u>
<b>8. Operating surplus</b>		
Operating surplus for the year is stated after accounting for the following:		
Project costs	350 598	2 187 855
Gains on exchange differences	(44 356)	(97 700)
Depreciation on property, plant and equipment	635 437	663 333
Employee costs	14 872 167	14 752 520
Auditor's remuneration – audit fees	79 125	75 000
- non audit fees	16 120	15 280
Insurance	80 428	99 225
Amortisation of grant income	<u>(602 738)</u>	<u>(602 022)</u>
<b>9. Grant income</b>		
Government of Botswana	<u>18 112 263</u>	<u>17 124 563</u>

Notes to the annual financial statements (continued)  
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	2014	2013
<b>10. Investment income</b>		
Interest income	<u>216 159</u>	<u>118 813</u>
<b>11. Other income</b>		
Amortisation of capital grants	602 738	602 022
Other sundry income	<u>137 540</u>	<u>205 545</u>
	<u>740 278</u>	<u>807 567</u>
<b>12. Taxation</b>		
No provision has been made for 2013 tax as the Institute has no taxable income.		
<b>13. Operating expenses</b>		
Significant operating expenses are disclosed in Note 8.		
<b>14. Cash generated from operations</b>		
Surplus for the period	3 056 662	1 169 422
Adjustments for:		
Depreciation and amortisation	635 437	663 333
Profit on disposal of assets	-	(7 876)
Amortisation of capital grants	(602 738)	(602 023)
Investment income	(216 159)	(118 813)
Changes in working capital:		
Movement in trade and other receivables	342 398	(754 691)
Movement in trade and other payables	1 114 059	520 846
Movement in deferred income	<u>(1 302 344)</u>	<u>217 220</u>
	<u>3 027 315</u>	<u>1 087 418</u>

Notes to the financial statements (continued)  
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15. Related parties

Entities with significant influence	Government of Botswana
Projects controlled by the Institute	Vision 2016 Council Technical Assistance Project
Board of Trustees	Ms. M. Machailo – Ellis (Chairperson) Mr. O. Motshidisi Mr. K. Ndobano Mr. P. Draper Prof. P. M. Makepe Ms. C. O. Ramalefo Dr. T. B. Seleka Mrs S. George
Members Of Key Management	Dr. T. B. Seleka (Board Secretary) Prof R. Grynberg (Senior Research Fellow) Prof P. Malope (Senior Research Fellow) Dr. G. Kaboyakgosi (Senior Research Fellow) Mr. K. P. Maroba (Programme Coordinator) Ms. B. N. Siwawa (Finance Administrator) Mr. L. Isaacs (IT Manager) Mr. J. Seanego (Chief Librarian)

Related party balances

	2014	2013
<b>Related party balances receivable</b>		
Vision 2016	-	103 430
Technical Assistance Project	<u>22 885</u>	<u>-</u>
	<u>22 885</u>	<u>103 430</u>
<b>Related party balances payable</b>		
Technical Assistance Project	-	<u>23 800</u>
<b>Related party transactions</b>		
Grant received from related parties		
Government of Botswana	<u>18 333 000</u>	<u>17 873 000</u>
Board sitting fees and expenses	<u>26 823</u>	<u>16 023</u>



Notes to the financial statements (continued)  
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15. Related parties (continued)

Related party transactions (continued)

	2014	2013
Administration fees received from related parties		
Vision 2016	(296 800)	(265 000)
Technical Assistance Project	<u>(95 200)</u>	<u>(85 000)</u>
	<u>(392 000)</u>	<u>(350 000)</u>
Key management remuneration		
Remuneration paid	4 843 843	4525 540
Other long term employee benefits	<u>1 406 238</u>	<u>1110 101</u>
	<u>6 250 081</u>	<u>5635 641</u>

## Notes to the financial statements (continued)

for the year ended 31 March 2014

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### 16. Financial risk management

#### Capital risk management

The Institute's objectives when managing capital are to safeguard the Institute's ability to continue as a going concern and achieve the objectives of the Institute for which it was established.

The capital structure of the Institute consists of grants and accumulated surplus. There are no externally imposed capital requirements. There have been no changes to the strategy for capital maintenance from the previous year.

#### Financial risk management

The Institute's activities expose it to a variety of financial risks: market risk (mainly interest rate risk), credit risk and liquidity risk.

The Institute's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Institute's financial performance.

#### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities to meet its obligations. The Institute was not significantly exposed to liquidity risk during the year. The Institute has placed amounts in short term deposits that are highly liquid to meet any liability that it is exposed to.

#### Interest rate risk

As the Institute has significant interest-bearing assets, the Institute's income and operating cash flows are substantially dependent of changes in market interest rates

The Institute's interest rate risk arises from deposits in short term financial assets and call accounts with its bankers. The Institute analyses its interest rate exposure on a dynamic basis. Since most of the deposits are placed in short term maturity assets, the financial administrators negotiate interest rates with the bankers on maturity of these instruments before decisions on reinvesting. A quote for the best interest is obtained from financial institutions in the country and decisions are made.

The institute invests with reputable financial institutions and is subject to normal market interest rate risk on its banking facilities.

#### Credit risk

Credit risk is the risk of financial loss to the institute if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's trade receivable balances, related parties and investments in cash and cash equivalents.

Credit risk consists mainly of cash deposits, cash equivalents, financial instruments and trade debtors. The Institute only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Financial assets exposed to credit risk at year end were as follows:

	2014	2013
Trade and other receivables	2 458 075	2 800 473
Other financial assets	4 384 326	2 802 619
Bank balances	7 629 120	6 055 782
	<u>14 471 521</u>	<u>11 658 874</u>

Notes to the annual financial statements (continued)  
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16. Financial risk management (continued)

The company's assets and liabilities are categorised as follows:

	Financial assets and liabilities				Current/ non-current distinction		
	Total	Financial assets designated at fair value	Loans and receivables	Financial assets/ liabilities at amortised cost	Other assets and liabilities	Current assets and liabilities	Non-Current assets liabilities
<b>2014</b>							
<b>Assets</b>							
Property, plant and equipment	14 043 500	-	-	14 043 500	-	-	14 043 500
Trade and other receivables	2 458 075	-	2 458 075	-	-	2 458 075	-
Other financial assets	4 384 326	-	4 384 326	-	-	4 384 326	-
Cash and cash equivalents	7 629 120	-	7 629 120	-	-	7 629 120	-
	<u>28 515 021</u>	<u>-</u>	<u>14 471 521</u>	<u>14 043 500</u>	<u>-</u>	<u>14 471 521</u>	<u>14 043 500</u>
<b>Liabilities</b>							
Trade and other payables	6 719 183	-	-	6 719 183	-	6 719 183	-
<b>2013</b>							
<b>Assets</b>							
Plant and equipment	14 369 771	-	-	14 369 771	-	-	14 369 771
Trade and other receivables	2 800 473	-	2 800 473	-	-	2 800 473	-
Other financial assets	2 802 619	-	2 802 619	-	-	2 802 619	-
Cash and cash equivalents	6 055 782	-	6 055 782	-	-	6 055 782	-
	<u>26 028 645</u>	<u>-</u>	<u>11 658 874</u>	<u>14 369 771</u>	<u>-</u>	<u>11 658 874</u>	<u>14 369 771</u>
<b>Liabilities</b>							
Trade and other payables	5 605 124	-	-	5 605 124	-	5 605 124	-
Deferred income	1 302 344	-	-	-	1 302 344	1 302 344	-
	<u>6 907 468</u>	<u>-</u>	<u>-</u>	<u>5 605 124</u>	<u>1 302 344</u>	<u>6 907 468</u>	<u>-</u>

Notes to the financial statements (continued)  
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16. Financial risk management (continued)

The following table indicates the carrying and fair values of financial instruments on the statement of financial position:

	2014	2013
<b>Financial assets</b>		
Trade and other receivables	2 458 075	2 800 473
Other financial assets	4 384 326	2 802 619
Bank balances	<u>7 629 11</u>	<u>6 055 782</u>
<b>Total financial assets</b>	<u>14 471 521</u>	<u>11 653 754</u>
<b>Financial liabilities</b>		
Trade and other payables	<u>6 719 183</u>	<u>5 605 124</u>





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