



**Botswana Institute  
for Development  
Policy Analysis**

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# **Annual Report**

**2012 – 2013**



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## Foreword by the Chairman

During the year under review, BIDPA continued to conduct its activities in line with its mandate of providing policy research and analysis on economic and social issues in Botswana. The key thrust of the Institute's strategic plan is to promote an increase in supply-driven research work and conversely reduce the amount of research time spent on consultancy work. This is intended to promote independent research work and enhance the Institute's think-tank mandate.

I am pleased to note that a shift towards this milestone continues to be observed, as evidenced from the increase in the number of publications produced by the Institute (which come from supply-driven work), relative to what was produced in previous years. I do understand that policy formulation is not an event but a process, and I am therefore confident that BIDPA's publications will serve as a useful guide for policy dialogue and formulation going forward. Therefore, I urge you, our stakeholders, to continue to use our products and services to advance your agendas of policy management, engagement, dialogue and formulation.

Despite making notable progress in delivering its mandate, BIDPA continues to face some bottlenecks which hamper its ability to fully execute its functions. Most importantly, the Institute continues to face high vacancy rates at senior researcher levels, a situation which has adversely impacted on research leadership in some of our research units. Such vacancy rates are due to the Institute's inability to recruit regionally and internationally, due to uncompetitive pay packages. We do however understand that we have to operate within our funding constraints and that whatever solutions we devise to address this problem must be within our means. The Board therefore approved a mentoring program which allows citizen researchers to be appointed on acting basis at senior research position, with the view to build capacity and to allow them to ultimately advance on a substantive basis to such positions. I am happy to say that this program is bearing fruit, although it will undoubtedly take time for the Institute to normalize the situation.

Let me take this opportunity to thank the government of Botswana for funding the Institute. I also thank our collaborating partners, such as non-state actors and development partners, for their continued support to the Institute, and I look forward to our continued partnership.

A handwritten signature in black ink, appearing to read 'P. Molutsi'.

P. Molutsi, D.Phil

## Executive Director's Overview



This is the third year running since BIDPA's Board of Trustees launched the strategic plan whose main thrust is to enhance the delivery of the Institute's think tank mandate through promotion of supply-driven policy analysis work. I am happy to note to our stakeholders that the Institute continues to increase the achievement of this objective as seen from the increase in the number of publications and public forums (seminars and conferences).

This year, the Institute's research agenda focused on a number of policy issues covering, but not limited to, the areas of economic diversification, democracy and governance, monetary policy, regional trade agreements, regulation, social protection and agriculture. Some of this work has been documented as the Institute's publications, which have been uploaded on its website for access by the public and stakeholders. I therefore urge the public to visit the BIDPA website to access some of these publications, which will be useful for continued policy management, dialogue and formulation amongst our stakeholders in future.

On behalf of BIDPA's management and staff, I wish to thank the Institute's Board of Trustees for their continued guidance and leadership. I also thank BIDPA staff for embracing recent changes that have occurred at the Institute to implement its strategic plan. Last, but not least, I thank the Institute's stakeholders and partners (collaborators) for their continued support.

A handwritten signature in black ink, appearing to read 'T. Seleka', written over a horizontal dotted line.

T. B. Seleka, Ph.D  
*Executive Director*

## Governance

### 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 three are representatives of civil society and research professionals. The Executive Director is an ex-officio member and Secretary to the Board.



*Dr. P. Molutsi- Chairperson*



*Mr. O. Motshidisi- Deputy Chairperson*



*Dr. T. B. Seleka - Board Secretary*



*Ms. M. Machailo -Ellis*



*Ms. C. Ramalefo*



*Prof. P. Makepe*



*Mr. N. Kahiya*



*Mr. P. Draper*



*Mr. K. Ndobano*

## Management Committee

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



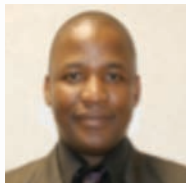
*Dr. T. B Seleka-Executive Director*



*Prof. Haile Taye- Senior Research Fellow*



*Prof. R. Grynberg - Senior Research Fellow*



*Dr G. Kaboyakgosi - Ag. Senior Research Fellow*



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



*Ms B. N. Siwawa- Financial Administrator*



*Mr. L. Issacs - IT manager*



*Mr. J. Seanego - Chief Librarian*

## 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. BIDPA focuses mainly on Research and Policy Analysis and Capacity Building in policy analysis.

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

### Vision

To be a globally competitive policy research institute.

### Mission Statement

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

### Corporate Values

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

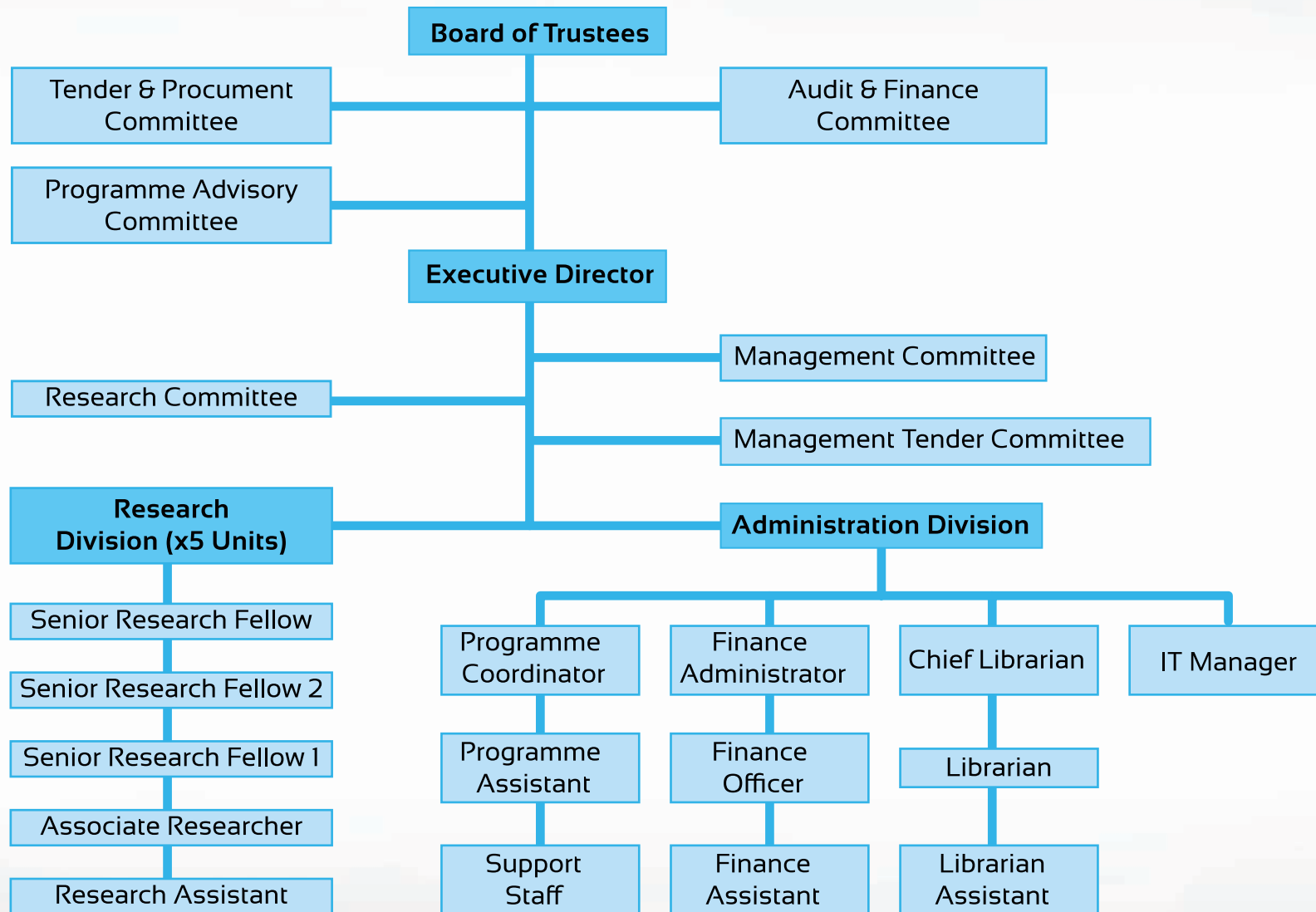
- **Professionalism:**
  - Education
  - Relevant skills
  - Dedication
  - Team Spirit
  - Competency
  - Commitment
- **Integrity:**
  - Ethical Behavior
  - Credibility
  - Appreciation
  - Trust
  - Transparency
- **Competitiveness:**
  - Effectiveness
  - Efficiency
  - Timely delivery
  - Quality Products/services
  - Pro-activeness
  - 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.

# 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 dissemination 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

### Overview

This annual report covers research activities on Trade and International Economics; Macroeconomic Modeling and Forecasting; Microeconomics; Incomes, Welfare and Poverty; and Public Sector Reforms.

### On-Going Projects:

1. **Review and Editing of the Gender and Development Draft Policy of 2012:** BIDPA was contracted by the Ministry of Labour and Home Affairs, Department of Women Affairs, to conduct an Editorial Review of the Draft National Policy on Gender and Development. The objective of the policy was to promote gender equality and address problems of poverty as a result of discrimination of members of society based on their gender.
2. **Development of the Botswana's Competitiveness Strategy:** In liaison with the Harvard Business School, BIDPA was engaged by the National Strategy Office to develop Botswana's competitiveness strategy.
3. **National Vision 2016 Citizen Score Card:** The Vision 2016 Council contracted BIDPA to rate the effectiveness of selected public services to communities. A Rating of Public, Private and Municipal Services in Botswana: To determine the effectiveness of public service delivery through the recipients for the Vision 2016 Council.
4. **Impact Study on Mining and Diversification (Post Diamond Study):** The study was commissioned by the Botswana Confederation of Commerce, Industry and Manpower (BOCCIM), and the objectives are to: review existing mining and energy projects and provide estimates on production, net revenue and tax revenue over the coming decade; analyze possible projects mining and energy projects that will be developed in the next ten years; model the impact of new and existing mining and energy projects on macroeconomic aggregates (tax revenues, employment and GDP); analyze Botswana's diversification experience and recommend policy responses; and conduct a comparative analysis of the costs of doing business between Botswana, SADC countries and three comparator countries.
5. **Final Impact Assessment of the Sesigo Libraries Project:** BIDPA was contracted by the African Comprehensive HIV/AIDS Partnerships (ACHAP) to undertake an impact assessment study on their Sesigo Public Libraries Project. The main aim of the study was to assess the impact of the project since its commencement in 2009. The Sesigo project was a nationwide initiative to install computers and the internet for free use in public libraries and village rooms. The objective of the project was to ultimately improve the quality of life for users.

## Completed Projects:

- 1. *Fast Tracking of Vision 2016 - Capacity Building Component:*** This was the last component of the Vision 2016 evaluative study. The objective of this component of the study was to assist with building the capacity of relevant stakeholders in order to address identified capacity gaps in the achievement of Vision 2016 goals. The progress made and challenges encountered were identified through this study and these were communicated to the trainees. Furthermore, ways of fast tracking the process of implementing the main goals of Vision 2016 and addressing the attendant challenges in the remaining four years were identified.
- 2. *Institutional Reforms to Botswana's Construction Sector:*** The objective of the study was to review the laws, policies, codes, organizations, cultures and other institutions with a view to assessing the feasibility of a regulator for the construction industry. The study revealed that the construction industry as defined in Botswana was in fact many industries, professions and regulatory imperatives all lumped together. It has neither a single overarching law nor a single, recognized sector regulator. The study proposed the formation of a whole-of-sector regulator to overlook the construction industry in Botswana. It is hoped that the study would assist in the streamlining of activities in the construction industry, and that that it will further inform future policy framework for the construction industry to be regulated according to best international practices.
- 3. *Open Budget Index 2012:*** The purpose of the study was to assess the transparency of Botswana's public budget and the participation of non-state actors. Botswana's ranking in the Open Budget Index has declined by a point since 2010. It is envisaged that the findings and recommendations made in the report will act as a tool for lobbying for more budget openness and accountability in Botswana, and impact on good governance in the country.
- 4. *Study on Funding Modalities of Non-State Actors in Botswana:*** The objective of the research was to carry out an assessment of the different modalities used by government and other funders to channel funds to non-state actors. The study established that there is insufficient engagement between government and development partners on the funding models. Government also needs to adopt a Policy on Civil Society if the European Union is to fund EDF 10.
- 5. *Elections and the Management of Diversity:*** BIDPA was contracted by the United Nations Economic Commission for Africa (UNECA) and United Nations Development Programme (UNDP) to assess progress made by Botswana in using elections as a tool for management of diversity in the country, and also make comparisons with other African countries. The study addressed issues which affect minority groups such as women, youth, people with disabilities, that is groups that are less represented in political spaces; and public funding of political parties, lack of which compromises electoral competition.

6. ***The Modalities of Appointments of Officers of Oversight Institutions:*** BIDPA was engaged by the Parliament of the Republic of Botswana in partnership with Freiderich Ebert Stiftung to assess how best to strengthen public accountability, including the enhancement of parliamentary oversight and ensure transparency in the appointment and dismissal of Chief Executive Officers of oversight institutions such as Auditor General, and Directorate on Corruption and Economic Crime.
7. ***Data collection exercise for ACBF ACI 2012/2013:*** In 2011 the African Capacity Building Foundation introduced the first ever report that aims to assess capacity against the developmental agenda in African countries. The overall objective is to map capacity and address deficits that hinder the drive towards development in Africa. BIDPA was contracted to undertake the study for the Botswana chapter. In this respect, data was collected from different government ministries and stakeholders and used to compute the Africa Capacity Index and rank Botswana with other African countries accordingly.

## Publications

### a) BIDPA Working Paper series

1. Grynberg, R. & Motswapong, M. — BIDPA Working Paper No. 32: SACU Revenue Sharing Formula — *Towards a Developmental Agreement.*
2. Teye, H. — BIDPA Working Paper No. 33: *Is the Botswana Pula Misaligned?*
3. Motswapong, M. & Grynberg, R. — BIDPA Working Paper No. 34: *Key issues in the Textiles and Clothing Sector in Botswana.*
4. Grynberg, R. & Sekakela, K. — BIDPA Working Paper No. 35: *Water pricing and Policy in Botswana.*
5. Teye, H. — BIDPA Working Paper No. 36: *Inflation Dynamics in Botswana and Bank of Botswana's Medium Term Objective Range.*

### b) BIDPA Publication Series

6. Grynberg, R. — Coal Exports and the Diversification of Botswana's Economy.

### c) Books and Book Chapters

7. Alexander, K. & Kaboyakgosi, G. (Eds.). (2012) — *A Fine Balance: Assessing the Quality of Botswana's Democracy.* Johannesburg: IDASA.
8. Kaboyakgosi, G. & Marata, K. (2012). — Introduction. In *A Fine Balance-Assessing the Quality of Botswana's Democracy*, (IDASA/BIDPA Publication), Johannesburg, Alexander, K and Kaboyakgosi, G, (eds.), IDASA, Johannesburg. BOOK CHAPTER:

9. **Kaboyakgosi, G., Sengwaketse, M. & Balule, T. (Eds). (2013).** — Regulation in Botswana: Case Studies in Industry Governance, Implementation and Public Accountability in Botswana. Gaborone: Lightbooks.
10. **Kaboyakgosi, G., Sengwaketse, M. and Balule, T.** — Introduction: Regulation as a Mode of Governance. In: Kaboyakgosi, G., Sengwaketse, M. & Balule, T. (Eds) (2013). Regulation in Botswana: Case Studies in Industry Governance, Implementation and Public Accountability in Botswana. Gaborone: Lightbooks.
11. **Kaboyakgosi, G. and Motswapong, M.** — Retirement Funds Regulation in Botswana: Managing Risks. In: Kaboyakgosi, G., Sengwaketse, M. & Balule, T. (Eds) (2013). Regulation in Botswana: Case Studies in Industry Governance, Implementation and Public Accountability in Botswana. Gaborone: Lightbooks.
12. **Mooketsane, K. S.** — Self Regulation at the Law Society of Botswana: Private Management of Public Affairs? In: Kaboyakgosi, G., Sengwaketse, M. & Balule, T. (Eds) (2013). Regulation in Botswana: Case Studies in Industry Governance, Implementation and Public Accountability in Botswana. Gaborone: Lightbooks.
13. **Sengwaketse, M.** — Construction Sector Regulation: Managing Fragmentation and Complexity. In: Kaboyakgosi, G., Sengwaketse, M. & Balule, T. (Eds) (2013). Regulation in Botswana: Case Studies in Industry Governance, Implementation and Public Accountability in Botswana. Gaborone: Lightbooks.
14. **Kaboyakgosi, G.** — Regulation Accountability: Who guards the Guardians and How? In: Kaboyakgosi, G., Sengwaketse, M. & Balule, T. (Eds) (2013). Regulation in Botswana: Case Studies in Industry Governance, Implementation and Public Accountability in Botswana. Gaborone: Lightbooks.
15. **Kaboyakgosi, G., Balule, T. and Sengwaketse, M.** — Conclusions: Regulation and Botswana's Future. In: Kaboyakgosi, G., Sengwaketse, M. & Balule, T. (Eds) (2013). Regulation in Botswana: Case Studies in Industry Governance, Implementation and Public Accountability in Botswana. Gaborone: Lightbooks.
16. **Moepeng, P. (2012)** — Recent Financial Crisis and Public Expenditure on Education for Poverty Eradication in Botswana in Roy K. and Kar S. Development Management in the 21st Century. New York, Nova Publications.

#### d) Journal Articles

17. **Mmopelwa, D. & Seleka, T. B. (2012)** — Public Transfers and Communal Cattle Marketing Decisions in Botswana: Empirical Evidence from Botswana. *Journal of Agribusiness*, 30(1), 87-106.
18. **Modisaatsone, M. C. & Motlaleng, G. R. (2012).** Rand/Pula Exchange Rate Volatility in Botswana. *Journal of Social and Economic Policy*, 9, 45-52.
19. **Tabengwa, G. & Malikane, C. (2012)** — The Relative and Dynamic Effects of Health and Education on Economic Growth in Selected African Countries. *The Botswana Journal of Economics*, 9, 2-28.

## Workshops & Conferences

1. Prof. Haile Taye organized a Census Analysis Capacity Building Workshop for BIDPA researchers to develop higher level skills in cross sectional data analysis with relevance to census and poverty data. The objective was to capacitate researchers to better apply cross sectional data collection and analysis methods throughout the BIDPA units if and when relevant project require.
2. Ms. Naledi Modisaatsone participated in a workshop on Africa Capacity Indicators organised by the ACBF in Harare in July 2012. The purpose was to train participants on how and where to collect the needed data. Participants were also assigned the task of gathering data on a project that ACBF organizes in many countries including Botswana.
3. Ms Naledi Modisaatsone participated in a workshop sponsored by ACBF to collect and assemble data for the ACBF. The purpose of the workshop was to both train and receive assignments on how and where to collect the needed data in Botswana on a project that ACBF organizes in many countries including Botswana.
4. Ms Naledi Modisaatsone attended a breakfast seminar on Budget Talk organized by Guardian in February 2013.
5. Mrs. Keneilwe Mooketsane and Ms Keneilwe Marata attended a workshop on Advanced Publications on 11th to 15th February 2013, Cape Town, South Africa.
6. Ms. Keneilwe Marata attended two-week training event in Kenya, on Monitoring and Evaluation, July 2012.
7. Dr Margaret Sengwaketse & Mr Masedi Motswapong attended a Market Access Sub-committee Retreat to share information on research at Phakalane Golf Estate on the 24th July 2012.
8. Dr Margaret Sengwaketse and Ms Kedibonye Sekakela attended Trade in Service Workshop at Crestar Lodge on the 25th to 26th July 2012 as part of their capacity building in trade in services.
9. Dr Margaret Sengwaketse attended a SADC Think Tank Regional workshop in Maputo, Mozambique on the 10th August 2012. The purpose was to develop regional capacity of national think tanks and to increase their awareness of regional issues.
10. Dr Margaret Sengwaketse and Ms Kedibonye Sekakela attended a Trade in Services Technical Committee meeting at the DIT Conference room on 7th September 2012.
11. Dr. Margaret Sengwaketse attended a BOCCIM National Business Conference in Francistown on the 15th to 17th October, 2012.
12. Dr Margaret Sengwaketse attended an Inception Meeting on African Capacity Building Foundation (ACBF) Survey of Capacity Needs of Africa's Regional Economic Communities in Addis Ababa, Ethiopia on 15 January, 2013.
13. Dr. Gape Kaboyakgosi was the resource person at a Disability Pitso, at the Gaborone International Conference Centre, August 13-15, 2012.



## Workshops & Conferences (Continued)

14. Dr Gape Kaboyakgosi presented at the launch of the Private Sector Code of Conduct. Ditshupo Hall, Gaborone, on 30th August 2012.
15. Dr Gape Kaboyakgosi and Mrs Keneilwe Mooketsane attended the End of Program Workshop on Non-State Actors Capacity Building Program, European Union/MFDP, 18th May 2012, Gaborone Sun.
16. Dr. Molefe Phirinyane presented at the Southern African Insurance Conference at the Gaborone International Convention Centre. The paper was titled "Regional Integration as an Instrument of Development and Growth", August 15-16, 2012.
17. Prof. Roman Grynberg attended Energy and Petroleum Pitso to discuss petroleum policy in Botswana.
18. Prof. Roman Grynberg attended a Coal Pitso to discuss development of coal industry in Botswana.
19. Prof. Roman Grynberg attended a workshop organised by UNDP in Fiji on the 19th November, 2012 and presented a paper on Lessons to be Learnt on Failures and Success in the Pacific Islands Region.
20. Prof. Roman Grynberg attended a Trade and Investment Workshop in Mauritius organised by the World Trade Organisation (WTO) and the University of Mauritius in October 2012 and presented the papers on SACU and Diamond Beneficiation in Botswana.
21. Prof. Roman Grynberg attended a Workshop to discuss the Study on Wheat Flour Levy organised by Botswana Exporters and Manufacturers Association (BEMA), October, 2012.
22. Dr. Pelotshweu Moepeng attended a Climate Change Policy Workshop at Boipuso Hall, on the 25th April 2012.
23. Mr. David Mmopelwa and Mrs Lillian Mookodi attended The Rio+20 Conference Preparatory Workshop at Fair Ground Holdings, 7th June 2012.
24. Mr. Raymond Lekobane attended the Review of Ipelegeng Programme Workshop at Boipuso Hall– 8th May 2012.
25. Mr Keoagile Phoi attended the 14th Annual Conference of the Library and Information Association of South Africa (LIASA) in Durban, South Africa, 1 - 5 October 2012.
26. Dr. Kaboyakgosi attended a one day-consultative workshop/dissemination process on Institutional Reforms of the Construction Sector in Botswana on 20th June 2012, held at Boipuso Hall, Gaborone.

## Public Forum

1. Dr. Pelotshweu Moepeng presented a Keynote paper on "Overview of Policy Formulation" on the 24th April 2012 at Ditshupo Hall, Gaborone. Stakeholders included UNDP Resident Representative, Ministry of Environment, Wildlife and Tourism, Ministry of Finance and Development Planning and others.
2. Book Launch: K. Alexander & Kaboyakgosi, G (Eds.), A Fine Balance-Assessing the Quality of Botswana's Democracy, 26th April 2012, Grand Palm Hotel, Gaborone.
3. BIDPA organized a workshop on Base Metal Beneficiation for the Botswana Chamber of Mines at the Phakalane Golf Estate on the 14th September 2012. The purpose of the workshop was to help government formulate base metal policy.
4. Prof Taye made a presentation on Saving Behaviour in Botswana and its Economic Implications. The workshop was organised by the Guardian News Paper and Bank ABC in September and October 2012 as part of their new initiative to engage various sectors of the society on various topical issues.
5. Dr Kaboyakgosi was a Panellist at the Botswana Civil Servants Day on Public Policy Innovation for Citizen Engagement and Effective Governance: Creating a Better Life for All held at Boipuso Hall on 21st June 2012.
6. Dr. Kaboyakgosi participated and contributed in a Media briefing to public and private press on Institutional Reforms to the Construction Industry in Botswana, 20th June 2012, Boipuso Hall, Gaborone.
7. Dr. Kaboyakgosi participated and contributed in a Media briefing to public and private press on Institutional Reforms to the Construction Industry in Botswana, 20th June 2012, Boipuso Hall, Gaborone.
8. Ms. Kedibonye Sekakela presented a paper on Water Pricing and Policy in Botswana at the Department of Water Affairs and Stockholm International Water Institute (SIWI) National Water Training Policy workshop at Mahalapye on the 5th to 6th November, 2012.
9. Dr. Gape Kaboyakgosi presented a paper on Public Policy Making in Botswana to the Ministry of Foreign Affairs and International Cooperation, July 13th 2012.
10. Prof. Haile Taye presented a paper on the financial Crisis and its implication for Business in Botswana in June 2012. The purpose was to enlighten the business community on the issue.

## Meetings

1. Dr. Seleka and Mr Maroba had a meeting with a representative of the IBF International Consulting of Belgium on the 24th October 2012 to discuss possibilities of the two organizations networking and collaborating to bid for EU funded projects in Botswana.
2. BIDPA hosted the Chairman of the Parliamentary Special Select Committee on the Botswana Meat Commission, Honourable Mephato

Reatile and his team on the 24th January 2013 to request for assistance of research conducted by the Institute on the beef industry during the 2006 – 2013 period that could assist the Committee in its investigations of the issue.

3. BIDPA organized a researchers' retreat on the 28th February to 1st March 2013 at Phakalane Golf Estate to discuss the work plan for 2013/2014. All management staff attended the retreat.
4. BIDPA hosted the Ministry of Labour and Home Affairs to discuss the possibility of BIDPA assisting with the development of policy document to be presented to Parliament on the 15th March 2013.
5. BIDPA hosted the Directorate on Corruption and Economic Crime to discuss modalities of BIDPA assisting with the administration of a Common Wealth Fund for the newly established Commonwealth Africa Anti-Corruption Centre as well as train its research staff on some aspects of research.

## Capacity Building Programme

### a) Staff Training

1. Ms Modisaatsone attended a training course on Research Methods, Design, Supervision And Publications for Corporate & Academic Staff in Johannesburg, 21-22 February 2013.
2. Junior researchers attended an in-house course on time series econometrics and forecasting to help them upgrade their econometrics techniques.

### b) Staff Development

#### 1. *Internal PhD Training*

Ms. Achieng Okatch and Mrs. Pinkie Kebakile are pursuing their PhD studies in Australia and South Africa respectively.

#### 2. *External PhD Programme*

BIDPA is sponsoring two external candidates, Ms Dintle Molosiwa and Ms Seamogano Mosanako, for PhD in Australia under the ACBF/BIDPA stakeholder capacity development programme.

#### 3. *Internship Programme*

BIDPA hosted ten interns under the Government of Botswana Internship Programme, five of whom were attached to the Vision 2016 Secretariat and the other five to BIDPA research units.

## Staff Issues

### Recruitment

*Mr Mpho Bachula*, Library Assistant

### Resignations

*Mr Raymond Lekobane*, Research Fellow terminated his employment with the Institute to join Botswana International University of Science and Technology

# Financials

*Annual financial statements for the year ended 31 March 2013*



## General information

<b>Country of incorporation and domicile</b>	Botswana	
<b>Nature of business and principal activities</b>	Botswana Institute for Development Policy Analysis (the "Institute") is an autonomous, nongovernmental research Institute established by a trust deed (MA16/95). It is involved in policy development analysis and capacity building in Botswana.	
<b>Directors</b>	Dr. P. Molutsi (Chairperson) Mr. N. Kahiya Ms. M. Machailo - Ellis Prof. P. Makepe	Mr. O. Motshidisi Mr. K. Ndobano Mr. P. Drapper Ms. C. Ramalefo
<b>Secretary</b>	Dr. T.B. Seleka	
<b>Business address</b>	BIDPA House Plot 134, Gaborone International Finance Park Gaborone	
<b>Bankers</b>	Capital Bank Bank Gaborone Limited Standard Chartered Bank	Barclays Bank of Botswana Limited African Banking Corporation Limited
<b>Auditors</b>	KPMG	
<b>Company registration number</b>	MA 16/95	
<b>Presentation Currency</b>	Botswana Pula (BWP)	

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## Trustees' responsibility statement and financial statements approval for the year ended 31 March 2013

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 25 – 48 for the year ended 31 March 2013, 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  
Gaborone



Trustee

## Independent Auditor's Report To The Board Of Trustees Of Botswana Institute For Development Policy Analysis

We have audited the accompanying annual financial statements of Botswana Institute for Development Policy Analysis (the "Institute"), which comprise the statement of financial position as at 31 March 2013, and the statements of 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 8 to 25.

### 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 at 31 March 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### Supplementary information

The supplementary schedule presented on page 49 does not form part of the financial statements and is presented as additional information. We have not audited this schedule and accordingly, we do not express an opinion on it.



**KPMG**

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

Date: 23 January 2014 | Gaborone



### Chartered Accountants

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P.O Box 1519, Gaborone, Botswana

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## STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2013 *(In Pula)*

	Notes	2013	2012
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2	14 369 771	15 293 003
<b>Current assets</b>			
Trade and other receivables	3	2 800 473	2 045 782
Other financial assets	4	2 554 157	2 904 678
Cash and cash equivalents	5	6 304 244	4 101 526
		11 658 874	9 051 986
<b>Total assets</b>		<b>26 028 645</b>	<b>24 344 989</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Reserves		13 474 936	13 732 268
Retained earnings		5 646 241	4 443 319
		19 121 177	18 175 587
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	6	5 605 124	5 084 278
Deferred income	7	1 302 344	1 085 124
		6 907 468	6 169 402
<b>Total equity and liabilities</b>		<b>26 028 645</b>	<b>24 344 989</b>

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2013 (IN PULA)

		2013	2012
Revenue		4 240 275	4 731 545
Grant income	9	17 124 563	13 077 038
Other income	11	807 567	773 931
Operating expenses		(21 121 796)	(19 571 342)
Operating profit/(loss)	8	1 050 609	(988 828)
Investment income	10	118 813	250 397
<b>Profit/(loss) for the year</b>		<b>1 169 422</b>	<b>(738 431)</b>
<b>Other comprehensive income:</b>			
Gains on property, plant and equipment revaluation	14	-	2 894 173
<b>Total comprehensive income for the year</b>		<b>1 169 422</b>	<b>2 155 742</b>

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2013 (IN PULA)

	Revaluation reserve	Capital grants	Unutilised capital grants	Total reserves	Accumulated surplus	Total funds and reserves
<b>Balance at 01 April 2011</b>	<b>7 956 588</b>	<b>3 205 885</b>	<b>243 053</b>	<b>11 405 526</b>	<b>5 181 750</b>	<b>16 587 276</b>
Changes in equity						
Total comprehensive income for the year	2 894 173	-	-	2 894 173	(738 431)	2 155 742
Grants received during the year	-	36 670	-	36 670	-	36 670
Transfer to / from unutilised capital grants	-	200 896	(200 896)	-	-	-
Amortisation of capital grants	-	(604 101)	-	(604 101)	-	(604 101)
<b>Balance at 01 April 2012</b>	<b>10 850 761</b>	<b>2 839 350</b>	<b>42 157</b>	<b>13 732 268</b>	<b>4 443 319</b>	<b>18 175 587</b>
<b>Balance at 01 April 2012</b>	<b>10 850 761</b>	<b>2 839 350</b>	<b>42 157</b>	<b>13 732 268</b>	<b>4 443 319</b>	<b>18 175 587</b>
Changes in equity						
Revaluation adjustments	(370 247)	-	-	(370 247)	-	(370 247)
Transfer on disposal of motor vehicle	(33 500)	-	-	(33 500)	33 500	-
Total comprehensive income for the year	-	-	-	-	1 169 422	1 169 422
Capital grant received during the year	-	748 438	-	748 438	-	748 438
Transfer to/from unutilised capital grants	-	(635 966)	635 966	-	-	-
Amortisation of capital grants	-	(602 023)	-	(602 023)	-	(602 023)
<b>Balance at 31 March 2013</b>	<b>10 447 014</b>	<b>2 349 799</b>	<b>678 123</b>	<b>13 474 936</b>	<b>5 646 241</b>	<b>19 121 177</b>

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 2013 (IN PULA)

	Notes	2013	2012
<b>Operating activities</b>			
Cash generated from operations	15	1 087 418	829 835
Investment income	10	118 813	250 397
<b>Net cash flow from operating activities</b>		<b>1 206 231</b>	<b>1 080 232</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	2	(112 472)	(237 566)
Proceeds from disposal of property, plant and equipment		10 000	-
Sale/(purchase) of financial assets		350 521	(2 904 678)
<b>Net cash flow from investing activities</b>		<b>248 049</b>	<b>(3 142 244)</b>
<b>Cash flows from financing activities</b>			
Capital grants received during the year		748 438	36 670
<b>Net cash flow from financing activities</b>		<b>748 438</b>	<b>36 670</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2 202 718</b>	<b>(2 025 342)</b>
Cash and cash equivalents at beginning of the year		4 101 526	6 126 868
<b>Cash and cash equivalents at end of the year</b>	<b>5</b>	<b>6 304 244</b>	<b>4 101 526</b>

## Significant accounting policies for the year ended 31 March 2013

### 1. Presentation of annual financial statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and the Deed of Trust (MA 16/95). The annual financial statements have been prepared on the historical cost basis, except for the measurement of certain property, plant and equipment and certain financial instruments at fair value, and incorporate the principal accounting policies set out below. They are presented in Botswana Pula.

These accounting policies are consistent with the previous period.

#### 1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgment is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements 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 a portfolio 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 portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

##### *Fair value estimation*

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Institute for similar financial instruments.

##### *Impairment testing*

The recoverable amounts of cash-generating units and 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.

## Significant accounting policies (continued) for the year ended 31 March 2013

### *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 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.

## Significant accounting policies (continued) for the year ended 31 March 2013

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

<b>Item</b>	<b>Average useful life</b>
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

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.

## Significant accounting policies (continued) for the year ended 31 March 2013

### 1.3 Financial instruments

#### *Classification*

The Institute classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through profit or loss - held for trading
- Held-to-maturity investment
- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

Financial instruments are recognised initially when the Institute becomes a party to the contractual provisions of the instruments. The Institute classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

#### *Initial recognition and measurement*

The Institute classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the Institute's balance sheet when the Institute becomes party to the contractual provisions of the instrument. Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss. Regular way purchases of financial assets are accounted for at trade date.

#### *Subsequent measurement*

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period. Net gains or losses on the financial instruments at fair value through profit or loss dividends and interest.



## Significant accounting policies (continued) for the year ended 31 March 2013

Dividend income is recognised in profit or loss as part of other income when the company's right to receive payment is established. Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses. Dividend income is recognised in profit or loss as part of other income when the company's right to receive payment is established. Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses. Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

### *Fair value determination*

The fair values of short term investments are determined according to the current bid prices and levels of hierarchy.

### *Trade and other receivables*

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other income in profit or loss.

Trade and other receivables are classified as loans and receivables.

### *Trade and other payables*

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

### *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

## Significant accounting policies (continued) for the year ended 31 March 2013

### 1.4 Tax

#### *Current tax assets and liabilities*

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

### 1.5 Impairment of assets

The Institute assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease. An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

### 1.6 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.

## Significant accounting policies (continued) for the year ended 31 March 2013

### 1.7 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.

### 1.8 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. 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).

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.

## Significant accounting policies (continued) for the year ended 31 March 2013

### 1.9 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.

### 1.10 Translation of foreign currencies

#### *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 2013

### 1.11 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 2013 and have not been applied in preparing these annual financial statements:

**Amendment to IAS 1 Presentation of Financial Statements:** The amendment requires an entity to present those items of other comprehensive income that may be reclassified to profit or loss in the future separately from those that would never be reclassified to profit or loss. The related tax effects for the two sub-categories have to be shown separately. This is a change in presentation and will have no impact on the recognition or measurement of items in the financial statements. This amendment will be applied retrospectively and the comparative information will be restated. The amendment, which becomes effective for the Institute's 2013 financial statements, is not expected to have any impact on its financial statements.

**Amendments to IAS 19 Employee Benefits: Defined benefit plans:** This amendment requires actuarial gains and losses to be recognised immediately in other comprehensive income. The corridor method and the recognition of actuarial gains and losses in profit or loss are no longer permitted. Past service costs as well as gains and losses on curtailments/settlements are recognised in the statement of comprehensive income. Expected returns on plan assets are calculated based on the rates used to discount the defined benefit obligation. The definitions of short-term and other long-term employee benefits have been amended and the distinction between the two depends on when the entity expects the benefit to be settled. The amendment, which becomes effective for the Institute's 2014 financial statements, is not expected to have any impact on its financial statements.

**IFRS 9 (2009) Financial Instruments:** The standard addresses the initial measurement and classification of financial assets and will replace the relevant sections of IAS 39. Under IFRS 9 there are two options in respect of classification of financial assets, namely, financial assets measured at amortised cost or at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows and when they give rise to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value. Embedded derivatives are no longer separated from hybrid contracts that have a financial asset host. The standard, which becomes effective for the Institute's 2016 financial statements, is not expected to have any impact on its financial statements.

## Notes to the annual financial statements for the year ended 31 March 2013 (continued)

**IFRS 9 (2010) Financial Instruments:** The standard addresses the measurement and classification of financial liabilities and will replace the relevant sections of IAS 39. Under IFRS 9, the classification and measurement requirements of financial liabilities are the same as per IAS 39, except for the following two aspects:

- fair value changes for financial liabilities (other than financial guarantees and loan commitments) designated at fair value through profit or loss, that are attributable to the changes in the credit risk of the liability will be presented in other comprehensive income. The remaining amount of the fair value change is recognised in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in profit or loss. The determination as to whether such presentation would create or enlarge an accounting mismatch is made on initial recognition and is not subsequently reassessed, and
- derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are measured at fair value.

The standard, which becomes effective for the Institute's 2016 financial statements, is not expected to have any impact on its financial statements.

**IFRS 13 Fair Value Measurement:** The standard will be applied prospectively and comparatives will not be restated. The standard introduces a single source of guidance on fair value measurement for both financial and non-financial assets and liabilities by defining fair value, establishing a framework for measuring fair value and setting out disclosures requirements for fair value measurements. The key principles in the standard are as follows:

- Fair value is an exit price;
- Measurement considers characteristics of the asset or liability and not entity-specific characteristics;
- Measurement assumes a transaction in the entity's principle (or most advantageous) market between market participants;
- Price is not adjusted for transaction costs;
- Measurement maximises the use of relevant observable inputs and minimises the use of unobservable inputs; and
- The three-level fair value hierarchy is extended to all fair value measurements.

The adoption of the standard will increase the level of disclosure regarding fair value measurement of the Institute's financial and non financial assets and liabilities. The standard will be incorporated into the Institute's 2014 financial statements.

## Notes to the annual financial statements for the year ended 31 March 2013 (continued)

### **Amendments to IFRS 7 Financial Instruments:**

Disclosures: Offsetting Financial Assets and Financial Liabilities: The amendments contain new disclosure requirements for financial assets and financial liabilities that are offset in the statement of financial position; or are subject to enforceable master netting arrangements or similar agreements. The standard will be incorporated into the Institute's 2014 financial statements.

### **Amendments to IAS 32 Financial Instruments:**

Presentation: Offsetting Financial Assets and Financial Liabilities: The amendments clarify that an entity currently has a legally enforceable right to set-off if that right is:

- not contingent on a future event; and
- enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

The standard will be incorporated into the Institute's 2015 financial statements.

**IFRS 1 amendment Government Loans:** The amendment addresses, how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRSs. The amendments mirror the requirements for existing IFRS preparers in relation to the application of amendments made to IAS 20 Accounting for Government Grants and Disclosure of Government Assistance in relation to accounting for government loans. The amendment, which becomes effective for the Institute's 2014 financial statements, is not expected to have any impact on its financial statements.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2013 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 2012	13 966 200	904 560	641 854	842 512	1 470 578	565 585	18 391 289
Revaluation adjustment	(344 621)	-	-	-	-	-	(344 621)
Additions	-	-	5 161	-	86 770	20 541	112 472
Disposals	-	-	-	(37 000)	-	-	(37 000)
<b>At 31 March 2013</b>	<b>13 621 579</b>	<b>904 560</b>	<b>647 015</b>	<b>805 512</b>	<b>1 557 348</b>	<b>586 126</b>	<b>18 122 140</b>
<b>Depreciation and impairment</b>							
Balance at 1 April 2012	-	709 616	577 902	-	1 264 580	546 188	3 098 286
Disposals	-	-	-	(34 876)	-	-	(34 876)
Revaluation adjustment	-	-	-	25 626	-	-	25 626
Depreciation charge	291 789	39 317	20 121	208 003	90 790	13 313	663 333
<b>At 31 March 2013</b>	<b>291 789</b>	<b>748 933</b>	<b>598 023</b>	<b>198 753</b>	<b>1 355 370</b>	<b>559 501</b>	<b>3 752 369</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>
<b>Net book value – 2012</b>	<b>13 966 200</b>	<b>194 944</b>	<b>63 952</b>	<b>842 512</b>	<b>205 998</b>	<b>19 397</b>	<b>15 293 003</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.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2013 IN PULA

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

	2013	2012
Land	300 000	300 000
Buildings	3 443 729	3 675 804
Motor vehicles	1	1

	2013	2012
<b>3. Trade and other receivables</b>		
Trade receivables	1 217 630	659 802
Other receivables	1 565 356	1 318 036
Deposits	7 000	7 000
Prepayment	10 487	7 674
Value added tax	-	53 270
	<b>2 800 473</b>	<b>2 045 782</b>

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

The quality of trade and other receivables that are neither past nor due nor impaired can be assessed as good since most are non-governmental organisations with adequate support from their respective governments.

### *Trade receivables past due but not impaired*

Trade receivables which are less than 3 months past due are not considered to be impaired. At 31 March 2013, P1 102 710 (2012: P88 228) were past due but not impaired.

	2013		2012	
	Gross amount	Impairment provision	Gross amount	Impairment provision
Current	114 920	-	571 574	-
1 to 30 days	-	-	-	-
31 to 60 days	-	-	-	-
61 to 90 days	-	-	-	-
91 days and over	1 102 710	-	88 228	-
	<b>1 217 630</b>	<b>-</b>	<b>659 802</b>	<b>-</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2013 *IN PULA*

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

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed as good since most are non-governmental organisations with adequate support from their respective governments. Over 75% of amounts due for over 90 days at reporting period were received subsequent to 31 March 2013.

<b>4. Other financial assets (continued)</b>	<b>2013</b>	<b>2012</b>
Current assets		
At fair value though profit or loss - held for trading	1 916 250	2 300 536
Held to maturity	637 907	604 142
	<b>2 554 157</b>	<b>2 904 678</b>
<b>5. Cash and cash equivalents</b>	<b>2013</b>	<b>2012</b>
Cash on hand	5 120	7 442
Bank balance	248 462	237 694
Short term deposits	6 050 662	3 856 390
	<b>6 304 244</b>	<b>4 101 526</b>
<b>6. Trade and other payables</b>	<b>2013</b>	<b>2012</b>
Trade payables	125 160	96 934
Accrued leave pay	883 119	840 986
Gratuity provision	3 919 810	3 401 832
Other payables	648 981	744 526
Value added tax	28 054	
	<b>5 605 124</b>	<b>5 084 278</b>
<b>7. Deferred income</b>	<b>2013</b>	<b>2012</b>
Advance income	1 302 344	1 085 124

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2013 IN PULA

<b>8. Operating profit</b>	<b>2013</b>	<b>2012</b>
<i>Operating profit for the year is stated after accounting for the following:</i>		
Project costs	2 187 855	889 264
(Gains)/losses on exchange differences	(97 700)	208 878
Depreciation on property, plant and equipment	663 333	645 662
Employee costs	14 752 520	14 022 586
Audit fees	90 280	95 598
Insurance	99 225	114 534
Amortisation of grant income	(602 022)	(604 101)

<b>9. Grant income</b>	<b>2013</b>	<b>2012</b>
Government of Botswana	17 124 563	12 000 000
African Capacity Building Foundation	-	1 077 038
	<b>17 124 563</b>	<b>13 077 038</b>

<b>10. Investment income</b>	<b>2013</b>	<b>2012</b>
Interest revenue	118 813	162 366
Africa 53 Money market fund	-	88 031
	<b>118 813</b>	<b>250 397</b>

<b>11. Other income</b>	<b>2013</b>	<b>2012</b>
Amortisation of capital grants	602 022	604 101
Other sundry income	205 545	169 830
	<b>807 567</b>	<b>773 931</b>

### **12. Taxation**

No provision has been made for 2013 tax as the Institute has no taxable income.

### **13. Operating expenses**

Significant operating expenses are disclosed in Note 8.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2013 IN PULA**

<b>14. Other comprehensive income</b>	<b>2013</b>	<b>2012</b>
Components of other comprehensive income		
Movements on revaluation		
Gains on property, plant and equipment	-	2 894 173
<b>15. Cash used in operations</b>	<b>2013</b>	<b>2012</b>
Components of other comprehensive income		
Profit/(loss) for the period	1 169 422	(738 431)
<i>Adjustments for:</i>		
Depreciation and amortisation	663 333	645 662
Profit on disposal of assets	(7 876)	-
Amortisation of capital grants	(602 023)	(604 101)
Investment income	(118 813)	(250 397)
Changes in working capital:		
Movement in trade and other receivables	(754 691)	1 868 692
Movement in trade and other payables	520 846	158 399
Movement in deferred income	217 220	(249 989)
	<b>1 087 418</b>	<b>829 835</b>

<b>16. Related parties</b>		
Entities with significant influence	Government of Botswana	
Projects controlled by the Institute	Vision 2016 Council Technical Assistance Project	
Board of Trustees	Dr.P. Molutsi (Chairman) Mr. K. Ndobano Mr. P. Draper Ms. P. Makepe	Mr. O. Motshidisi Ms. M. Machailo-Ellis Ms. C. Ramalefo
Members of key management	Dr. T. B. Seleka (Executive Director) Prof H. Taye (Senior Research Fellow) Dr. G. Kaboyakgosi (Acting Senior Research Fellow) Ms. B. N. Siwawa (Finance Administrator)	Prof R. Grynberg (Senior Research Fellow) Mr. J. Seanego (Chief Librarian) Mr. K. P. Maroba (Programme Coordinator) Mr. L. Isaacs (IT Manager)

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2013 IN PULA**

<b>15. Related party transactions</b>	<b>2013</b>	<b>2012</b>
<i>Grant received from related parties</i>		
Government of Botswana	17 873 000	12 000 000
<i>African Capacity Building Foundation</i>	-	1 077 037
	17 873 000	13077037
Board sitting fees and expenses	16 023	9 905
<i>Administration fees received from related parties</i>		
Vision 2016	(265 000)	(265 000)
Technical Assistance Project	(85 000)	(85 000)
	<b>(350 000)</b>	<b>(350 000)</b>
<i>Project balances received from related parties</i>		
Vision 2016	-	174 069
<i>Key management remuneration</i>		
Remuneration paid	4 525 540	5 688 324
Other long term employee benefits	1 110 101	1 949 057
	<b>5 635 641</b>	<b>7 637 381</b>

## 17. 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 what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

### *Financial risk management*

The Institute's activities expose it to a variety of financial risks: market risk (including cash flow 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.

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

<i>Financial instrument</i>	<b>2013</b>	<b>2012</b>
Trade and other receivables	2 800 473	2 045 782
Barclays Bank of Botswana Limited	6 050 662	3 832 938
Standard Chartered Bank of Botswana Limited	4 524	23 453
Stanbic Bank of Botswana Limited	248 462	237 694
Capital Bank Botswana	629 061	604 142

### *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 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2013 IN PULA

17. Financial risk management (Continued)

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

2013	Total	Financial assets and liabilities				Current/ non-current distinction	
		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 and liabilities
<b>Assets</b>							
Property, 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	2 554 157	-	2 554 157	-	-	2 554 157	-
Cash and cash equivalents	6 304 244	-	6 304 244	-	-	6 304 244	-
	<b>26 028 645</b>	<b>-</b>	<b>11 658 874</b>	<b>14 369 771</b>	<b>-</b>	<b>11 658 874</b>	<b>14 369 771</b>
<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	-
	<b>6 907 468</b>	<b>-</b>	<b>-</b>	<b>5 605 124</b>	<b>1 302 344</b>	<b>6 907 468</b>	<b>-</b>
<b>2012</b>							
2012	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 and liabilities
<b>Assets</b>							
Plant and equipment	15 293 003	-	-	15 293 003	-	-	15 293 003
Trade and other receivables	2 045 782	-	2 045 782	-	2 045 782	-	-
Other financial assets	2 904 678	-	2 904 678	-	2 904 678	-	-
Cash and cash equivalents	4 101 526	-	4 101 526	-	4 101 526	-	-
	<b>24 344 989</b>	<b>-</b>	<b>9 051 986</b>	<b>15 293 003</b>	<b>9 051 986</b>	<b>-</b>	<b>15 293 003</b>
<b>Liabilities</b>							
Trade and other payables	5 084 278	-	-	5 084 278	-	5 084 278	-
Deferred income	1 085 124	-	-	-	1 085 124	1 085 124	-
	<b>6 169 402</b>	<b>-</b>	<b>-</b>	<b>5 084 278</b>	<b>1 085 124</b>	<b>6 169 402</b>	<b>-</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2013 IN PULA

<b>17. Financial risk management (Continued)</b>	<b>2013</b>	<b>2012</b>
<i>The following table indicates the carrying and fair values of financial instruments on the statement of financial position:</i>		
Movements on revaluation		
<b>Financial assets</b>		
Trade and other receivables	2 800 473	2 045 782
Other financial assets	2 554 157	2 904 678
Bank balances	6 304 244	4 101 526
<b>Total financial assets</b>	<b>11 658 874</b>	<b>9 051 986</b>
<b>Financial liabilities</b>		
Trade and other payables	5 605 124	5 084 278

### Credit risk

Credit risk is the risk of financial loss to the company 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, amounts due from subsidiaries and related parties and investments in cash and cash equivalents.

Financial instruments subject to credit risk are analysed as follows:

Trade and other receivables	2 800 473	2 045 782
Other financial assets	2 554 157	2 904 678
Bank balances	6 304 244	4 101 526
	<b>11 658 874</b>	<b>9 051 986</b>



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2013 *IN PULA*

<b>Detailed Income Statement</b>	<b>2013</b>	<b>2012</b>
<b>Revenue</b>		
Grant income	17 124 563	13 077 038
Revenue	4 240 275	4 731 545
Other income	807 567	773 931
Investment income	118 813	250 397
	<b>22 291 218</b>	<b>18 832 911</b>
<b>Expenditure:</b>		
Employee costs	14 752 522	14 022 586
Depreciation	663 333	645 663
Exchange gain or loss	(97 700)	208 879
Doubtful debts	-	59 007
Other expenditure	5 803 641	4 635 207
	<b>21 121 796</b>	<b>19 571 342</b>
Other comprehensive income	-	2 894 173
<b>Total comprehensive income for the year</b>	<b>1 169 422</b>	<b>2 155 742</b>

This schedule is presented solely for the information of the members and is not covered by the audit opinion.

**Notes**

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Policy Analysis (BIDPA)**

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