

ANNUAL REPORT

2020



**Botswana Institute
for Development
Policy Analysis**

BIDPA ANNUAL REPORT 2019/2020

OVERVIEW OF BIDPA

The Botswana Institute for Development Policy Analysis (BIDPA) is a non-governmental research organisation established by a deed of trust. The two key areas of BIDPA's mandate are development policy analysis and capacity building.

The aim is to promote policy analysis through research, capacity building, assisting organisations or individuals where appropriate, monitoring the country's economic performance and disseminating policy research results.





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BIDPA CORPORATE PROFILE

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; Publication and Dissemination. The focus of BIDPA work is mainly informed by the Institute's mandate as defined in the Deed of Trust that established the institution.

OUR STRATEGIC DIRECTION

We strive to become a center of excellence for policy research analysis and capacity building driven by commitment to our core values.

OUR LONG-TERM STRATEGIC FOCUS

We are committed to ensuring that our research output adheres to the highest quality standards and supports the accomplishment of national priorities.



VISION

To become a renowned policy research institute in Africa



MISSION

To provide evidence-based socio-economic policy and related capacity building



OUR STRATEGIC OBJECTIVES

In order to deliver on our strategy, we have identified key strategic objectives outlined below:



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 maybe, 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 the achievement of the objectives and performance of the functions of the Institute.

BIDPA BOARD OF TRUSTEES

GOVERNANCE

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 7 members, five of whom are representatives of institutions from the Government of Botswana (Office of the President; and Ministry of Finance and Economic Development), University of Botswana, Bank of Botswana, and Business Botswana. 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 four subcommittees of the Board: Finance, Risk and Audit Committee, Tender and Procurement Committee, Research Committee and Human Resource Committee. The Finance, Risk and Audit Committee deals with and advises on financial policies of the Institute and related matters. The Tender and Procurement Committee focuses on procurement policy issues, while the Human Resource Committee deals with policies related to employees of the organization. The Research Committee is responsible for formulating and monitoring the BIDPA research agenda.

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The Board is vested with the authority and responsibility to exercise control over all the activities conducted by the Institute.

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CHAIRMAN'S REPORT



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The 2019/20 was a year where we worked hard to improve quality and relevance of our products and services. Our renewed focus on supply driven research resulted in increased output and I am more confident than ever for the enduring demand for our services.

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Let me also take this opportunity to recognize the outstanding performance of our team who worked tirelessly to contribute to the development of the COVID-19 economic stimulus package despite the risks involved.



In 2019/20 we made good progress in implementing our new strategy. We put in place effective corporate governance systems to support the successful execution of the Institute's roadmap. Our key milestones included the development and adoption of the board evaluation tool to assess the effectiveness of the board and its committees and identify capacity needs. In addition, BIDPA signed the shareholder compact with the Ministry of Finance and Economic Development. 2019/20 was a year where we worked hard to improve quality and relevance of our products and services. Our renewed focus on supply driven research resulted in increased output and I am more confident than ever for the enduring demand for our services.

The year was not without challenges with the institute battling skills capacity challenges especially at senior level. On the other hand, the emergence of the Covid-19 pandemic towards the end of the financial year also had a negative impact on the Institute's operations.

On the research side, a number of commissioned studies were delayed due to travel restrictions which prevented the Institute from holding stakeholder meetings, field work and data collection. Despite these challenges, the Institute devised strategies to ensure business continuity in adherence to Covid-19 protocols. It is important to note that the epidemic played a role in accelerating the BIDPA's digitization drive as by the end of the financial year, board and executive management meetings were

being held virtually, bringing efficiencies and effectiveness to the institute's operations.

Despite the unpredictability of the epidemic, BIDPA's response remained strong. The Institute responded quickly to protect its employees and their families by establishing a Covid-19 Response Team to coordinate all awareness and prevention initiatives.

Let me also take this opportunity to recognize the outstanding performance of our team who worked tirelessly to contribute to the development of the COVID-19 economic stimulus package despite the risks involved.

As the country puts in place economic recovery measures to rise from the Covid-19 ashes, the Institute has a critical role to play. The role of evidence-based policy formulation, implementation and management in resuscitating an economy battered by the effects of the pandemic cannot be downplayed. Research from the Institute should form basis for all interventions aimed at economic recovery.

I would like to thank fellow board members and the employees for their resilience and steadfastness during these trying times. Our employees remain the Institute's most valuable asset. **Le ka moso Bagaetsho!!!**



Andrew M. Motsumi
Chairman

MESSAGE FROM THE EXECUTIVE DIRECTOR



The year marked an important milestone in BIDPA's history, with the institute reaching 25 years of existence. I am happy to report that we made headway in achieving a number of key strategic goals planned for the first half of the strategic period. One such area is the development of policies, procedure and standards as part of the quality assurance framework to strengthen our strategic processes and improve the quality of our research outputs, products and service delivery.

To maintain this momentum, we need to be able to attract high calibre, goal oriented and innovative employees. Therefore, to ensure that we remain focused on the welfare of our employees, this year we made key milestones to finalise our new remuneration policy. We also implemented the promotion guidelines for researchers and revised the conditions of service. Additionally, we continued to invest in our employees to enable them to reach their full potential. We continue to improve our research output and the year 2019/2020 has been the most productive so far. The institute produced nine working papers, two policy briefs, eight journal articles, two conference papers and one book chapter. Our experience and reputation in undertaking research continued to earn us projects with four consultancies completed during the reporting period.

The utilization of digital platforms such as the website and social media platforms has eased the dissemination of our research outputs and increased its accessibility to the international audience. This continues to play an important role in global rankings. It gives me pride to report that The Think Tanks Civil Societies Program of the Lauder Institute at the University of Pennsylvania has recognized BIDPA as a Centre of Excellence in 2020 in the Sub-Saharan Africa region which comprises of 679 Think Tanks.

This follows the top rankings in 2017, 2018 and 2019. We also forged new content sharing partnerships with top institutions around the world which includes the World Economic Forum, Columbia University Press and the British Library for Development Studies, further increasing the digital footprint for our research output.

Despite the achievements, the Institute continued to face several challenges. Although BIDPA has been tasked with the responsibility to increase policy awareness and capacitate policy makers and non-state actors, it has not been able to implement such initiatives due to capacity challenges.

On the other hand, the emergence of the Covid-19 pandemic during the fourth quarter had a negative impact on the Institute's operations. This caused delays in the commissioning of projects, stakeholder consultations and other initiatives, including the celebration of the Institute's 25th anniversary. However, during this period of uncertainty, the dedication and resilience of the Institute's employees was able to see us through. Our prompt response ensured that we protect our employees and their families. On a positive note, our employees transitioned to working from home and we were able to accelerate our digitization processes. Looking ahead, we will continue to enhance the relevance of the Institute by conducting regular needs assessment to align our output with customer needs. We also aim to conduct customer perception surveys in order to improve our visibility and corporate image.

I would like to thank the Board of Directors for the guidance and support and acknowledge the dedicated efforts of the BIDPA staff during these trying times.!



Tebogo B. Seleka, PHD
Executive Director



CORPORATE GOVERNANCE

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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.

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SUB COMMITTEES

There are four sub-committees of the Board: Research Committee, Finance, Risk and Audit Committee, Tender and Procurement Committee, and Human Resource Committee. The Finance, Risk and Audit Committee deals with and advises on financial policies of the Institute and related matters. The Tender and Procurement Committee focuses on procurement policies, while Human Resource Committee deals with policies related to employees of the organization. The Research Committee is responsible for formulating and monitoring the BIDPA research agenda.

FINANCE, RISK AND AUDIT COMMITTEE



MR D. MOLOBE
(Chairperson)



MR K. NDOBANO
(Member)



Dr O. C. KERETELETWE
(Member)



MR C. MOAPARE
(Member)



Ms C. RAMPHALENG
(Member)

**HUMAN RESOURCES
COMMITTEE**



MR D. MOLAODI
(Chairperson)



Dr O. C. KERETELETWE
(Member)



MR K. NDOBANO
(Member)



Ms M. MOLEBATSI
(Member)



Ms W. RAMAPHOI
(Member)

RESEARCH COMMITTEE



Dr O. C. KERETELETSWE
(Chairperson)



MR D. MOLOBE
(Member)



MR D. MOLAODI
(Member)



Prof T. MAUNDENI
(Member)

TENDER AND PROCUREMENT COMMITTEE



MR K. NDOBANO
(Chairperson)



MR D. MOLOBE
(Member)



MR D. MOLAODI
(Member)



MR L. TLHALERWA
(Member)



Ms K. KELONEILWE
(Member)



MR Z. MMOLAWA
(Member)

MANAGEMENT COMMITTEE



DR T.B. SELEKA
(Executive Director)

The BIDPA Management Committee comprises the Executive Director, the Programme Coordinator, Finance Administrator, Human Resources Manager, the Knowledge Management and Dissemination Manager, Information Technology Manager and all Senior Research Fellows. The Executive Director (ED) is appointed by Board of Trustees. The ED has everyday management responsibility for all 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, Programme Coordination, Knowledge Management and Human Resources.



PROF P. MALOPE
(Senior Research Fellow)



DR G. SOMOLEKAE
(Senior Research Fellow)



Ms B.R. SIWAWA - MOEPENG
(Financial Administrator)



Ms B. WADIKONYANA
(HR and Admin Manager)



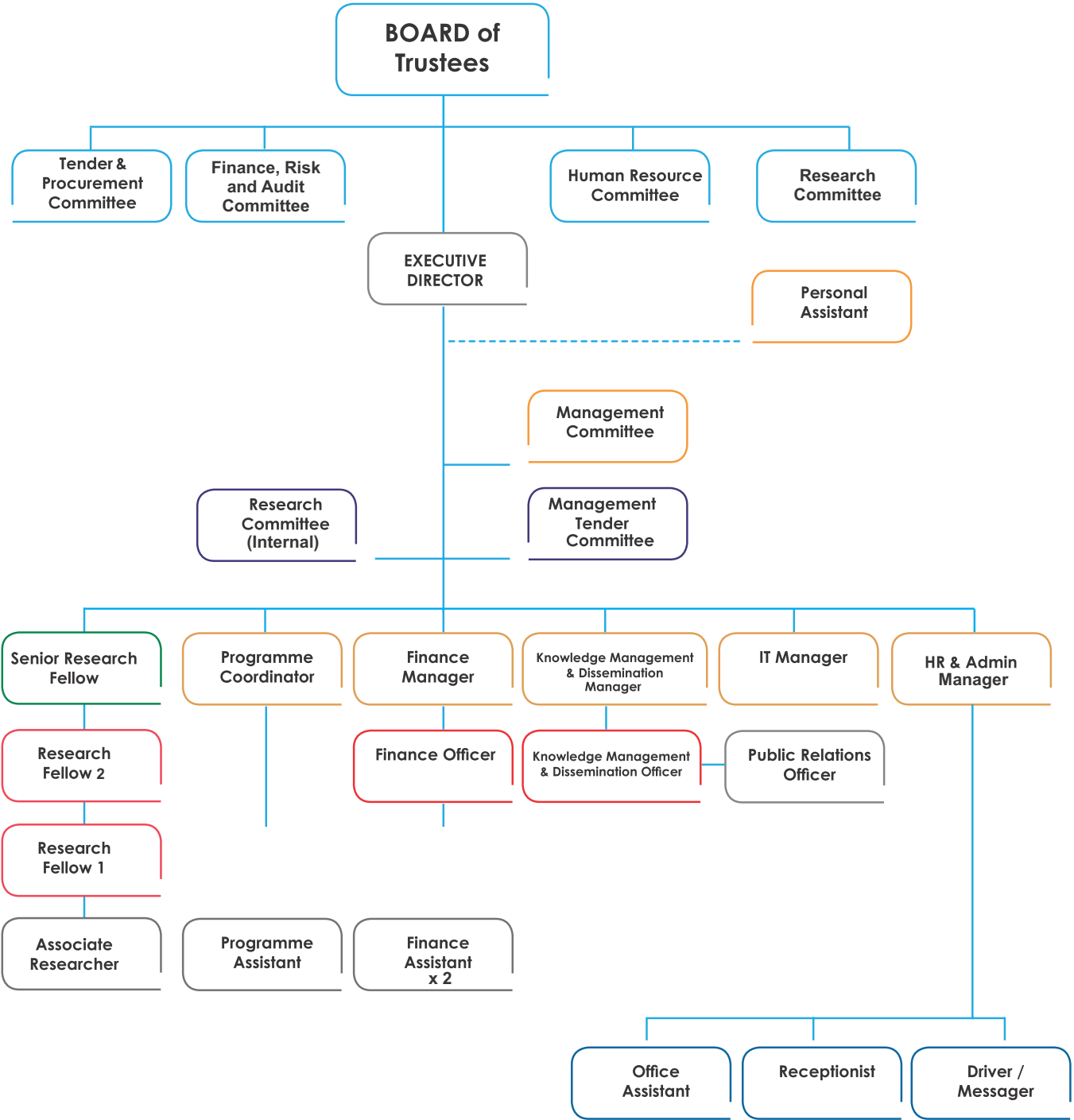
MR M. MADISA
(IT Manager)



Ms POLOKO NTKWANE
(Knowledge Management and Dissemination Manager)

VACANT POST: Programme Coordinator

ORGANOGRAM



OUR PERFORMANCE AT A GLANCE



Customer Service
Client Satisfaction level for consultancy projects stood at 80% against the target of 70%.

80%

1. HUMAN RESOURCE DEVELOPMENT

In recognizing the important role human capital plays in achieving its strategic goals, the Institute revised its Terms and Conditions of Employment, developed Promotion Guidelines and Job Profiles in order to attract and retain talent.

2. CORPORATE GOVERNANCE

During the period under review, the Board continued to provide effective leadership and ethical foundation, acting as a focal point for, and as a custodian of corporate governance. The shareholder compact was signed in January 2020. For the period 1 April 2019 to 31 March 2020, 3 Board meetings were held as per the schedule. One special Board meeting was called to deliberate on issues that needed urgent attention. In addition to the standard and regular agenda items, the following specific matters of importance were tabled and deliberated at board meetings during the year ended 31 March 2020; monitoring the implementation of the BIDPA Strategic Plan, reviewing reports on the Institute's operational and technological capability, including overseeing the formulation of the ICT Policy and monitoring of audit quality

3. FINANCIAL PERFORMANCE

The Institute received P21.5 m as subvention. A total of P5.4 m was raised as consultancy revenue. P5,6 m drawn from reserves. Total budget amounted to P34,7m. Total expenditure amounted to P26,3m. 76% of the budget utilised.

4. RISK MANAGEMENT

The Risk Framework, strategy and policies remained in place during the reporting period.

5. Customer Service

Client Satisfaction level for consultancy projects stood at 80% against the target of 70%.

6. Research

The year 2019/2020 was a productive year for research. The Institute produced 9 working papers, 2 policy briefs and 8 journal articles, 2 conference papers and 1 book chapter. In terms of demand driven research, 4 projects were completed while 4 are on-going.

7. CAPACITY BUILDING INITIATIVES

In order to strengthen capacity of researchers and improve the quality of research output, BIDPA continues to send its deserving employees on long term-training. For this reporting period, 3 employees are studying for PhD in the United Kingdom while 1 is in South Africa.

8. RANKINGS

BIDPA has once again been ranked the Top Think Tank in Sub-Saharan Africa for 2019 by the Think Tanks and Civil Societies Program of the Lauder Institute at the University of Pennsylvania. This follows the 2018 and 2017 top rankings.

9. KNOWLEDGE MANAGEMENT AND DISSEMINATION

The Institute continued to broaden its Content Sharing Partnerships with various institutions around the world to share its research outputs. During the reporting period, BIDPA partnered with Columbia University Press through the Columbia International Affairs Online, the British Library for Development and the World Economic Forum. Through the newly established Public Relations Office, the Institute revamped its website, created social media platforms and a new corporate profile.

10. VISIBILITY

During the period under review, BIDPA researchers were invited by the Botswana Television, Radio Botswana and Gabz FM for discussions on major national events; the 2019 General Elections, the 2019/2020 Budget speech preview, the economic impact of Covid-19 on the economy of Botswana, further increasing the Institute's visibility and enhancing its corporate image.

11. Corporate Social Responsibility

Under the Adopt -a-School Initiative, BIDPA continued to support Hunhukwe Primary School in the Kgalagadi North with learning materials, prize money and other incentives to motivate the learners to excel in their studies.

BIDPA RESOURCE CENTER

A well-equipped resource centre is key to providing research input and dissemination of research outputs. BIDPA Library continues to extend its information services to a wider audience through the use of cutting edge information management technology and content sharing agreements.



These partnerships have resulted in increased web presence and remarkable visibility of the Institute as BIDPA research outputs on multiple digital platforms. The library also maintains a digital Institutional Repository to further promote access to BIDPA research products. This is a digital archive that houses all BIDPA publications and allows for 'anywhere and anytime' access to the publications. This has further enhanced BIDPA digital footprint and visibility in general.

During the 2019/2020 financial year, the Institute entered into partnerships with British Library for Development Studies. The British Library for Development Studies is an Academic library affiliated with Institute of Development Studies (IDS). The collection of the library contains 800,000 volumes. The library circulates 8,000 items per year. The Institute also partnered with the World Economic Forum to feature the BIDPA content on its intelligence platform directly from the Institute's content management system using RSS feeds. This establishes a direct channel for the content to feed into the Forum's analytical tools and publish on its platform, making it available to all users. The Library continued to acquire books and subscribe to journals and databases in order to facilitate the Institute's research. The library collection emphasizes the following subject areas: Agricultural Economics; Development Economics; Financial Economics; Gender; Globalization; Governance and Civil Society; HIV and AIDS; Income Distribution; Policy Making; Poverty; Private Sector/Privatization; Public Administration; and Research & Statistical Methods.

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The Institute also partnered with the World Economic Forum to feature the BIDPA content on its intelligence platform directly from the Institute's content management system using RSS feeds.

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This section covers supply and demand-driven research activities undertaken by the institute during the 2019/20 financial year.

SUPPLY DRIVEN RESEARCH WORKING PAPERS

Mmolainyane, Kelesego. 2020. Financing Public Private Partnerships (PPPs) in Botswana Through the Capital Market

In her quest to further graduate to the high-income status, Botswana seeks to invest more in infrastructure development for both productive and social use. An efficient and effective infrastructure provision is fundamental to excellent public service delivery and access. Sadly, Botswana, like many other world economies, has a challenge of having an infrastructure financing gap.

One of the innovative ways to fill this gap is through public private partnerships (PPPs) with the capital market that has excess liquidity. Infrastructure PPPs are complex and capital intensive projects that require project finance experts to advise parties involved regarding returns and risks associated with each project. Various project-financing models can be designed to suit project specifications and they cannot be over-generalised for all PPP projects. Nevertheless, given the tight fiscal space, Botswana now, more than ever, should consider issuing PPP bonds and applying user charges model to finance economic PPP infrastructure for sustainable and inclusive economic growth.

Motsatsi, Johanne. 2020. How Non-diamond Exports Respond to Exchange Rate Volatility in Botswana

This paper estimates the impact of exchange rate volatility on non-diamond exports in Botswana using an Autoregressive Distributed Lag (ARDL) model. The model used quarterly data for the period 1995-2018, to estimate both the long and short run dynamics. The estimated results show that real GDP in the non-diamond sector, GDP growth of OECD countries, transport investment and water & electricity investment have a positive impact on non-diamond exports. While the lending interest rate, inflation

differentials, exchange rate volatility and misalignment impact non-diamond exports negatively.

The findings indicate that the coefficients with respect to the exchange rate volatility in both models are relatively low, suggesting that it has not had harmful impacts on non-diamond exports. This reflects the emphasis given to a stable and competitive exchange rate that will attract increased foreign demand which, as a result, could lead to export diversification. However, Botswana's export structure is still undiversified, despite efforts made to diversify the sector. To achieve the national objectives of sustainable export and economic diversification, the policy should continue encouraging a stable and competitive exchange rate. Other policies intended to boost export growth should focus on: expanding the production base of the non-diamond sector, committing more investment in the transport sector, and improving water & electricity infrastructure.

Khanie, Goitseone. 2020. Key Drivers of Industrial Growth

The paper examines the key determinants of industrial growth in Botswana, using manufacturing sector value added as the proxy for industrial growth. It employs the Autoregressive Distributed Lag (ARDL) counteraction approach using annual time series data for the period 1983 to 2015. Empirical results show that industrial growth is driven by financial sector development, human capital development, trade openness and foreign direct investment. Specifically, domestic credit to the private sector as a percentage of GDP and secondary school enrolment ratio are found to be significantly related to manufacturing value added as a percentage of GDP both in the long run and short run. While the relationship is limited to long run for total trade to GDP, it only exists in the short run for FDI net inflows.

The study therefore recommends that policy makers should design and ensure proper implementation of financial sector development strategies that can help ease access to credit for manufacturing enterprises in the country. There is also a need for a holistic approach in the design and implementation of innovation and human resource development policies in order to provide a conducive environment for skills acquisition, innovation and technological advancements in the manufacturing sector. Trade policies and export promotion strategies should heighten productivity and value addition in the manufacturing sector, so as to make local firms internationally competitive.

Finally, with regards to FDI, the Government of Botswana should create an environment that could entice multinationals to invest in the local manufacturing industry. This, however, should be coupled with protectionist policies to avoid crowding out local manufacturers and exposing them to foreign competition.

Sedimo, Ratang and Mmolainyane, Kelesego. 2020. Ordinary Shareholders' Rights Protection in Botswana

This study seeks to examine institutional frameworks that exist in Botswana to protect the rights of ordinary shareholders. There is no literature on the subject matter in the context of Botswana; hence this study attempts to fill in the literature gap. The study uses a variety of data collection methods, such as semi-structured interviews, the Choppies case study and lessons learnt from other jurisdictions. Findings reveal that ordinary shareholders' rights protection involves the use of institutional frameworks. In Botswana, existing frameworks are not adequate to protect ordinary shareholders' rights. Furthermore, the study shows that ordinary shareholders in Botswana are mainly exposed to risks of losing their investments, partially or entirely, in case of non-compliance to regulatory requirements as shown by the reduction in Choppies' stock price from P1.20 to P0.40 between years 2012 and 2018. The study suggests that the existing institutional frameworks should be reviewed to ensure adequate protection of ordinary shareholders' rights.

Omotoye, Marumo. 2020. Whistleblowing-in-Botswana's-Construction-Industry: A Public and Private Sector Perspective

The construction industry (CI) is considered one of the most corrupt both internationally and regionally. Therefore, this study examined the views and attitudes of professionals in Botswana's CI towards the role whistleblowing (or protected disclosure) can play in curbing corruption in the sector. A convergent mixed methods approach was adopted. Semi-structured interviews were conducted with key stakeholders from the construction industry. Furthermore, a self-administered survey was utilised to collect quantitative data from 117 construction firms.

Data revealed that there was little awareness of whistleblowing legislation. Fear of retaliation or punishment and job loss, and a lack of education on whistleblowing were identified as some of the most substantial barriers to effective whistleblowing in the industry. From a public policy perspective, it is recommended that an emphasis be placed on improving levels of education and awareness on whistleblowing in the construction sector. In addition, there should be consideration to amend the Whistleblowing Act 2016 to include construction industry regulators, the Public Procurement and Asset Disposal Board, and private media amongst the list of institutions authorised to receive reports of impropriety in order to extend the scope of legal protection to whistle blowers in the sector. Recommendations for further research are provided.

Seleka.Tebogo.2020. Old Wine in a New Bottle? Impact of the ISPAAD Input Subsidy Programme on the Subsistence Economy in Botswana

This paper estimates the impact of the ISPAAD input subsidy program on cultivated area, output and

productivity in Botswana's subsistence economy, using panel data for five agricultural regions and the cropping seasons of 1978/79 to 2013/14. The paper also assesses programme cost effectiveness and draws implications for programme sustainability. Results show that the programme has induced increases of 78%, 87%, 40%, 168% and 46% in total acreage, cereal acreage, non-cereal acreage, cereal output and cereal yields, respectively. Therefore, the programme has impacted positively on food security and welfare among subsistence households. However, it was found to not be cost effective in that the value of crops produced was equivalent to only 51% of public expenditure on land cultivation and seasonal inputs.

Moreover, the ratio of the value of incremental cereals produced to programme expenditure on cereals was estimated at 26%. Therefore, public expenditure patterns suggest that ISPAAD's positive impacts on crop production and food security will not be sustained beyond the programme implementation period. Some farmers would exit farming if production costs on land cultivation alone were to be privatised, rather than being borne by Government. The main conclusion is therefore that ISPAAD is not cost effective, and fiscally and economically unsustainable.

Gaetsewe.Tshepiso.2020. Characteristics of Firms in Botswana's Informal Economy

Botswana has a large informal economy which continues to grow at a rapid rate. The Government recognises the importance of the sector in reducing unemployment and poverty. However, not much is known about informal firms in order for Government to assist in their development. The objective of this paper is to empirically identify the characteristics of the firms in Botswana's informal economy. A binary logistic regression model is used to model the characteristics of Botswana's informal firms, and data employed came from the 2015/16 Botswana Multi-Topic Household Survey (BMTHS).

Findings indicate that informal firms in Botswana are likely to be situated in rural areas, they operate in their own households, as sole proprietors. Results further depict that, firms that did not need a loan when starting up (because business needed little capital or business was inherited) are more likely to be informal, than businesses that used household savings or sold assets to start the business. Furthermore, it was also revealed that informal firms are less likely to have small businesses and institutions as the main buyer of their goods and services, as compared to individual buyers. The paper advocates for a policy that is tailor made for the informal sector, to address the specific challenges the sector faces. Government needs to boost the business environment in rural areas, to allow for growth of firms, and create more jobs.

More initiatives should be geared towards the encouragement of partnerships, as this will help individuals pool resources and ideas for sustained growth in these firms.

Seleka, Tebogo, Lekobane. Khaufelo. 2020. Targeting Effectiveness of Social Transfer Programs in Botswana: Means-Tested versus Categorical and Self-selected Instruments

Botswana has an extensive social protection system aimed at improving the welfare of poor and vulnerable groups. We evaluate the targeting effectiveness of 15 social transfer programs using targeting performance indicators and Benefit Incidence Analysis (BIA), and the 2015/16 Botswana Multi-Topic Household Survey data. Results on targeting performance indicators reveal that, except for one, programs have low coverage [high under-coverage] and low targeting effectiveness of the poor; hence, high leakages to the non-poor.

BIA results indicate that most social assistance and asset transfer programs, and a public works program are progressive and pro-poor. However, while programs aimed at building human capital through financing tertiary education are also progressive, they are not pro-poor, suggesting inequality in access to higher education. Since education is one of the pathways out of poverty, this may contribute to intergenerational transmission of poverty. Further, means-tested programs do not necessarily target the poor better than programs employing categorical and self-selected targeting mechanisms. This may partly be because eligibility criteria may not be strictly enforced during selection of beneficiaries for major means-tested programs, such as the Destitute Persons Program.

Therefore, reforms are required to improve the targeting effectiveness of the programs and to minimize leakages to the non-poor.

Policy Briefs

Mookodi, Lillian. 2020. Consumer Expenditure Inequality in Botswana

The main objective of this brief is to discuss the levels of consumer expenditure inequality in food and non-food components based on the 2015/16 Botswana Multi-Topic Household Survey (BMTHS), and the 2009/10 Core Welfare Indicator Survey (BCWIS). This allows for identification of the components that account for most household consumption expenditure, and also allows for an understanding of how a change in consumption of a particular component affects overall consumption inequality. The latter is particularly useful to evaluate the effectiveness of social policies, such as those of education and health to reduce consumption inequality.

Sedimo, Ratang and Mmolainyane, Kelesego. 2020. Ordinary Shareholders' Rights Protection in Botswana

This policy brief seeks to examine the institutional frameworks that exist in Botswana to protect the rights of ordinary shareholders. Findings revealed that in

Botswana, existing institutional frameworks are not adequate to protect ordinary shareholder's rights. Furthermore, the Choppies case study shows that the lack of adherence to corporate governance standards resulted in loss of wealth by shareholders. This brief suggests that the existing institutional frameworks should be reviewed to ensure adequate protection of ordinary shareholder's rights.

Journal Articles

Gaodirelwe, Ikanyeng; Motsholapheko, M. R. and Masunga, G. S. (2020) Community perceptions of wildlife management strategies and subsistence poaching in the Okavango Delta, Botswana.

Human Dimensions of Wildlife: An International Journal. <https://doi.org/10.1080/10871209.2020.1727589>

Lekobane, K. R. and Roelen, Keetie (2020) Leaving No One Behind: Multidimensional Child Poverty in Botswana. *Child Indicators Research*. <https://doi.org/10.1007/s12187-020-09744-6>

Seleka, Tebogo B. and David Mmopelwa (2020) Effects of input subsidies on cropland allocation and diversification in Botswana's subsistence economy. *Agricultural Economics Research, Policy and Practice in Southern Africa*.

Agrekon. <https://doi.org/10.1080/03031853.2020.1758175>

Omotoye, Abiodun M T. (2019). Institutional and Policy Issues Experienced in the Implementation of Botswana's National Disability Policy. *Journal of Public Affairs*. DOI: 10.1002/pa.1951.

This brief suggests that the existing institutional frameworks should be reviewed to ensure adequate protection of ordinary shareholder's rights.



DEMAND DRIVEN RESEARCH



COMPLETED

UNICEF BOTSWANA EVALUATION OF VULNERABLE GROUPS FEEDING PROGRAMME

Client: MOKORO/UNICEF

Details:

BIDPA was sub-contracted by Mokoro to undertake a study that aims to firstly address the relevance, efficiency, effectiveness, impact and sustainability of the Vulnerable Groups Feeding Programme. Secondly, given that the level of stunting amongst the nation's children remains unacceptable, a more effective approach must be proposed on how stunting can be reduced.

BIDPA was engaged to manage data collection exercise and analyse the data.

CONSULTANCY TO REVISE EXISTING NATIONAL POVERTY ERADICATION POLICY FRAMEWORK

Client: United Nations (UN)

Details:

BIDPA was contracted by UN to revise the existing National Poverty Eradication Policy framework with a focus on multi-dimensional approach to poverty eradication.

BIDPA had to produce a final Draft Poverty Eradication Policy that includes institution/governance structure for the implementation of the Botswana National Poverty Eradication Policy with a clear coordination mechanism and institutional roles and accountabilities.

EDITING AND PROOF READING CONTENT FOR GOVERNMENT PORTAL

Client: Office of the President-Botswana Government

Details:

BIDPA was contracted by the Office of the President to edit content on the government portal to eliminate spelling and grammatical errors while ensuring consistency of content across all government ministries

REVIEW OF THE MANUFACTURING SECTOR FOR CEDA

Client: CEDA

Details:

BIDPA was contracted by CEDA to do a study whose purpose is to identify business opportunities within the manufacturing sector to enable both potential and existing CEDA clients to meaningfully exploit these opportunities. The study would delineate the state of the sector, including the identification of key successes, challenges and opportunities for growth.

The study would explore niche sectors that provide both a competitive and comparative advantage for eased entry and start-up for participating firms. A number of studies have been carried out on the manufacturing sector at national level, this study therefore brings the micro aspect with implementable initiatives for the agency.

The study is expected to recommend production regions, funding models for manufacturing SMME's, technical and technological needs and interfacing model for the development of manufacturing SMME's..

ONGOING

PROVISION OF DATA ENTRY, ANALYSIS AND COMPILATION

Client: Directorate of Corruption and Economic Crime, DCEC

Details:

The Directorate of Corruption and Economic Crimes, DCEC engaged BIDPA for the services of data entry, data analysis and report compilation of the 2017 National Corruption Opinion Survey.

INTERNAL WORKING PAPER- SOCIAL IMPACT ANALYSIS OF HUMAN WILDLIFE CONFLICT ON VICTIM AND THEIR NEXT OF KIN

Client: BIDPA

Details:

This project is an internal working paper that analyses the social impacts of the Human wildlife conflict on victims and their families through trend analysis of the years 2009-2019.

AGRICULTURAL CREDIT GUARANTEE SCHEME

Client: Ministry of Finance and Economic Development, MFED

Details:

Ministry of Finance and Economic Development, MFED engaged BIDPA to undertake this study whose specific objectives are to:

1. Review the past performance of the Agricultural Credit Guarantee Scheme
2. Investigate the strengths, weaknesses, opportunities and threats (SWOT) of the scheme
3. Establish the feasibility, sustainability or otherwise of extending the Scheme to cover additional agricultural subsectors
4. Establish the feasibility, sustainability or otherwise of extending the Scheme to a wider range of financing institutions in Botswana
5. Establish the impact that the scheme may have on the development of the local agricultural insurance scheme
6. Establish the impact that the scheme may have on the development of the local agricultural insurance industry.

CONSULTANCY TO DEVELOP A PRIVATE SECTOR ENGAGEMENT STRATEGY FOR RESEARCH, SCIENCE, TECHNOLOGY AND INNOVATION IN BOTSWANA

Client: Ministry of Tertiary Education, Research, Science and Technology

Details:

Ministry of Tertiary Education, Research, Science and Technology contracted BIDPA to undertake this study to contribute towards Botswana's aims to become a knowledge-based economy with a high-income status by 2036. In order to achieve these aspirations, Botswana needs to build an enabling environment that is characterised by strategic and well-structured institutional framework that drives prioritised economic goals and objectives, create strategic programmes, develop human capital that is innovative, entrepreneurial and have technical competence. Botswana should also invest in infrastructure that is needed to support a knowledge-based economy.

The success of a knowledge-based economy may socially uplift and transform the lives of Botswana and even promote overall economic competitiveness. Research, science, technology and innovation (RSTI) have been identified as the foundation of a knowledge based economy.

Therefore, learning institutions, especially universities should be built deliberately as centres of excellence that promote RSTI training and competence. The important role of other key stakeholders like government and the private sector in the development of RSTI cannot be overemphasised.

The success of a knowledge-based economy may socially uplift and transform the lives of Botswana and even promote overall economic competitiveness.

BEEF & OTHER AGRICULTURAL VALUE CHAINS

Client: AFRICAN ECONOMIC RESEARCH CONSORTIUM (AERC)

Details:

AERC contracted BIDPA to undertake this study to assist in the coordination of AERC Collaborative Masters in Agricultural and Applied Economic Project on Beef and Agricultural Value Chains Research through the co-editing of research papers for publication. BIDPA is required to;

- review all country case study papers and provide comments on each of the papers.
- Provide input into the preparation of the necessary documentation for meetings on the project as may be required and report presentation thereof
- Working with AERC on the planning and preparation of research workshops
- Prepare workshop reports
- Provide input into the preparation of reports and other materials for AERC and donors as may be requested by the secretariat
- Undertake any other project related tasks as may be requested by the Secretariat

TRANSFORMATION OF BMC INTO A FARMER OWNED ENTERPRISE

Client: Agriconsulting Europe S.A

Details:

The objective of the study is to support the beneficial integration of Botswana into the regional and global economy and thereby contribute to sustainable economic development and poverty reduction. The study seeks to boost the beef value chain in Botswana and the profitable participation of farmers. The study purpose is two-fold:

- i) explore the use of "good practice case" of Norway Farmer-Owned Meat Enterprise (Nortura and the GPS Food Group, Norway) to correspondingly transform the BMC. This purpose has two result areas, a) benchmarking mission by officials of the Botswana National Beef Producers Union to Norway's GPS and Nortura undertaken, and b) benchmarking report with an action plan; and
- ii) develop a framework for transforming the BMC into a farmer-owned beef abattoir and marketing company, which also has two result areas: a) a framework for transforming the Botswana Meat Commission into a farmer-owned beef abattoir and marketing company, and b) a profitable business model for the new company with subsequent approval by Government.





**Botswana Institute
for Development
Policy Analysis**

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2020

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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 [MA 16/95]. It is involved in development policy analysis and capacity building in Botswana
Trustees	Mr. A. Motsumi Mr. K. Ndobano Prof. P. M. Makepe (Resigned) Ms. C. Ramalefo (Resigned) Dr. O.C Kereteletswe Dr. T. B Seleka Mr. D Molobe Mr. D.K Molaodi [Appointed on Aug 2019]
Secretary	Dr. T.B Seleka
Business address	BIDPA House Plot 134 Millennium Office Park Gaborone
Bankers	Bank ABC Limited Bank Gaborone Limited Absa Bank Botswana Limited First National Bank Of Botswana Limited Standard Chartered Bank Botswana Limited Stanlib Investment Management Services (Proprietary) Limited
Auditors	Grant Thornton Chartered Accountants Member firm of Grant Thornton International limited
Presentation currency	Botswana Pula [BWP]

Botswana Institute for Development Policy Analysis
Annual Financial Statements for the year ended 31 March 2020

Trustees' Responsibility and Approval

The Trustees are required in terms of 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 this report. 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 period 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 the Trustees 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, based on the information and explanations given by management, that 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 against material misstatement or loss.

The Trustees have reviewed the Institute's cash flow forecast for the year to 31 March 2021 and, in light of this review and the current financial position, they are satisfied that the Institute has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the Institute's annual financial statements. The annual financial statements have been examined by the Institute's external auditors and their report is presented on pages 30 to 32.

The annual financial statements set out on pages 46 to 59, which have been prepared on the going concern basis, were approved by the board of trustees on 29th November 2020 and were signed on their behalf by:

Approval of financial statements



Trustee



Trustee

INDEPENDENT AUDITOR'S REPORT

To the Trustees of Botswana Institute for Development Policy Analysis

Opinion

We have audited the annual financial statements of Botswana Institute for Development Policy Analysis set out on pages 8 to 35, which comprise the statement of financial position as at 31 March 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, the annual financial statements give a true and fair view of, the financial position of Botswana Institute for Development Policy Analysis as at 31 March 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the annual financial statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of annual financial statements in Botswana. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Botswana. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements of the current period. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Operating expenses and payables

How our audit addressed the key audit matter

The operations of the entity are supported by significant expenditure and hence compliance with the procurement policies and procedures is key. We considered fraud perpetrated through payments to creditors as a significant risk. Thus, the matter has been considered to be key to the audit

Our approach

We obtained an understanding of the nature of the expenditure and have performed analytical procedures comparing incurred expenditures to expectation to verify the expenses.

We obtained the schedule of expenditure for the period and using monetary unit sampling technique, we selected a sample for testing for compliance.

We obtained the accrued liabilities schedules, reviewed the appropriateness of the accruals, scanned for unusual accounts and agreed the recorded expenditures to appropriate support.

We did not identify any exceptions or indications of fraud from these reviews. We obtained an understanding of the nature of the expenditure and have performed analytical procedures comparing incurred expenditures to expectation to verify the expenses.

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the document titled "Botswana Institute for Development Policy Analysis annual financial statements for the year ended 31 March 2020", which includes the Detailed Income Statement, which we obtained prior to the date of this report. The other information does not include the annual financial statements and our auditor's report thereon.

INDEPENDENT AUDITOR'S REPORT (CONT.)

Our opinion on the annual financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Trustees for the Annual Financial Statements

The Trustees are responsible for the preparation and fair presentation of the annual financial statements in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the Trustees are responsible for assessing the Institute's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Trustees or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Institute's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- Conclude on the appropriateness of the Trustees' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Institute to cease to continue as a going concern.

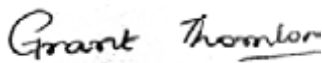
INDEPENDENT AUDITOR'S REPORT (CONT.)

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Trustees with a statement that we have compiled with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Trustees, we determine those matters that were of most significant in the audit of the annual financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Chartered Accountants
Certified Auditor: Madhavan Venkatachary [Memb No: 20030049]
Certified Auditor of Public Interest Entity
Certificate Number: CAP 0017 2020

29th November 2020

Gaborone

Botswana Institute for Development Policy Analysis

STATEMENT OF FINANCIAL POSITION

For the year ended 31 June 2020

FIGURES IN PULA	NOTE(S)	2020	2019
Assets			
Non-Current Assets			
Property, plant and equipment	4	15 278 417	14 034 119
Current Assets			
Financial assets	5	20 309 497	23 680 394
Trade and other receivables	7	2 061 340	1 341 413
Project work in progress	6	-	49 423
Cash and cash equivalents	8	7 174 915	6 528 874
		29 545 752	31 600 104
Total Assets		44 824 169	45 634 223
Equity and Liabilities			
Equity			
Reserves		28 160 216	13 810 189
Accumulated surplus		5 176 728	18 331 562
		33 336 944	32 141 751
Liabilities			
Non-Current Liabilities			
Grants related to assets	12	108 741	143 042
Current Liabilities			
Trade and other payables	11	6 450 444	6 985 256
Deferred income	12	4 928 040	6 364 174
		11 378 484	13 349 430
Total Liabilities		11 487 225	13 492 472
Total Equity and Liabilities		44 824 169	45 634 223

Botswana Institute for Development Policy Analysis

STATEMENT OF PROFIT OR LOSSES AND OTHER COMPREHENSIVE INCOME

For the year ended 31 June 2020

FIGURES IN PULA	NOTE(S)	2020	2019
Revenue	13	5 441 783	2 418 955
Grant Income	14	22 689 943	21 351 200
Income		28 131 726	23 770 155
Other operating income	15	281 267	694 145
Other operating gains (losses)	16	283 218	134 818
Movement in credit loss allowances	5	[3 739 114]	-
Other operating expenses		[26 316 039]	[26 122 295]
Operating (loss) profit	17	[1 358 942]	[1 523 177]
Finance Income	19	702 532	1 138 564
(Loss) profit for the year		[656 410]	[384 613]
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Gains on property revaluation		1 851 600	-
Other comprehensive income for the year net of taxation		1 851 600	-
Total comprehensive income (loss) for the year		1 195 190	[384 613]

Botswana Institute for Development Policy Analysis

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 June 2020

Figures in Pula	Revaluation reserve	Capital grant	Training fund reserve	Building fund reserve	Accumulated surplus	Total funds and reserves
Balance at 01 April 2018	11 729 529	2 143 711	-	-	18 653 125	32 526 365
Loss for the year	-	-	-	-	(384 613)	(384 613)
Total comprehensive Loss for the year	-	-	-	-	(384 613)	(384 613)
Transfer between reserves	-	(63 050)	-	-	63 050	-
Total contributions by and distributions to owners of company recognised directly in equity	-	(63 050)	-	-	63 050	-
Balance at 01 April 2019	11 729 529	2 080 660	-	-	18 331 565	32 141 754
Loss for the year	-	-	-	-	(656 410)	(656 410)
Other comprehensive income	1 851 600	-	-	-	-	1 851 600
Total comprehensive Loss for the year	1 851 600	-	-	-	(656 410)	1 195 190
Transfer between reserves	-	(63 050)	8 701 477	3 860 000	(12 498 427)	-
Total contributions by and distributions to owners of company recognised directly in equity	-	(63 050)	8 701 477	3 860 000	(12 498 427)	-
Balance at 31 March 2020	13 581 129	2 017 610	8 701 477	3 860 000	5 176 728	33 336 944
Note			9	10		

The Institute's capital grant is made up of the value of building and land determined at the time of establishment of the Institute in 1995. These grants did not carry any terms of repayment and ownership vests with the Institute until such time as decided by the Government. Subsequently grants received for purchase of capital assets have been disclosed under Grants related to assets/ Deferred Income.

Botswana Institute for Development Policy Analysis

STATEMENT OF CASH FLOWS

For the year ended 31 June 2020

FIGURES IN PULA	NOTE(S)	2020	2019
Cash flows from operating activities			
Cash generated from operations	20	216 629	665 225
Finance income		702 532	1 138 564
Net cash from operating activities		919 161	1 803 789
Cash flows from investing activities			
Purchase of property, plant and equipment	4	[246 193]	[165 633]
Sale of property, plant and equipment	4	3 167	4 158
Receipts from loans receivable at amortised cost		[368 217]	[1 124 764]
Sale of project work in progress		49 423	67 548
Net cash from investing activities		[561 820]	[1 218 691]
Cash flows from financing activities			
Capital grants received during the year		288 700	148 800
Total cash movement for the year		646 041	733 898
Cash at the beginning of the year		6 528 874	5 794 976
Total cash at end of the year	8	7 174 915	6 528 874

ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standards. The annual financial statements have been prepared on the historical cost basis, except for the measurement of certain property, plant and equipment 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, except for the changes set out in note 2.

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 judgement is used 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:

Key sources of estimation uncertainty

Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The entity uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the entity's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Fair value estimation

Certain assets and liabilities of the group are either measured at fair value or disclosure is made of their fair values. Observable market data is used as inputs to the extent that it is available

Impairment testing

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual

asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

Useful lives of property, plant and equipment

The estimates of useful lives as translated into depreciation rates are detailed in property, and equipment policy on the 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.

Provisions

Provisions are raised and management determines an estimate based on the information available.

1.2 Property, plant and equipment

The cost of an item of property 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 and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property 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 and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any estimated 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.

ACCOUNTING POLICIES

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

Property, plant and equipment are depreciated on the straight line basis 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:

Item	Depreciation method	Average useful life
Land	Straight line	99 years
Leasehold property	Straight line	40 years
Household Furniture	Straight line	5 years
Furniture and fixtures	Straight line	10 years
Motor vehicles	Straight line	4 years
Office equipment	Straight line	5 years
IT equipment	Straight line	4 years
Library books	Straight line	2 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

The depreciation charge for each year 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 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 and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.3 Financial instruments

Financial instruments held by the Institute are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the Institute, as applicable, are as follows: Financial assets which are debt instruments:

- Amortised cost

Derivatives which are not part of a hedging relationship:

- Mandatorily at fair value through surplus or deficit.

Financial liabilities:

- Amortised cost

Note 22 Financial instruments and risk management presents the financial instruments held by the Institute based on their specific classifications.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the Institute are presented below:

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 7).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Institute's business model is to collect the contractual cash flows on trade and other receivables.

ACCOUNTING POLICIES

Recognition and measurement

Trade and other receivables are recognised when the Institute becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Trade and other payables

Classification

Trade and other payables (note 11), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the Institute becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in surplus or deficit in finance costs (note).

Trade and other payables expose the Institute to liquidity risk and possibly to interest rate risk. Refer to note 22 for details of risk exposure and management thereof.

Derecognition

Refer to the "derecognition" section of the accounting policy for the policies and processes related to derecognition.

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

Derecognition

Financial assets

The Institute derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Institute neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Institute recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Institute retains substantially all the risks and rewards of ownership of a transferred financial asset, the Institute continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The Institute derecognises financial liabilities when, and only when, the Institute obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Reclassification

Financial assets

The Institute only reclassifies affected financial assets if there is a change in the business model for managing financial assets. If a reclassification is necessary, it is applied prospectively from the reclassification date. Any previously stated gains, losses or interest are not restated.

The reclassification date is the beginning of the first reporting period following the change in business model which necessitates a reclassification.

ACCOUNTING POLICIES

1.3 Financial instruments [continued] Financial liabilities

Financial liabilities are not reclassified.

1.4 Tax

Current tax assets and liabilities

The Institute is exempt from paying income tax as per the requirements of the Income Tax Act.

Tax expenses

The Institute is exempt from paying income tax as per 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 any such indication exists, the Institute estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the Institute also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

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 surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill 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 other than goodwill 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 other than goodwill is recognised immediately in surplus or deficit. 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 care], 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 surplus 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.

ACCOUNTING POLICIES

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the Institute's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method. Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. Consideration is given to any event that could impact the funds up to the end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial year, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Actuarial gains and losses are recognised in the year in which they arise, in other comprehensive income.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the Institute is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial

gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

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.

Contingent assets and contingent liabilities are not recognised.

1.8 Government subvention

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 deferred income or by deducting the grant in arriving at the carrying amount of the asset.

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

ACCOUNTING POLICIES

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.

Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised to date as an expense in the absence of the grant is recognised immediately as an expense.

1.9 Revenue from contracts with customers

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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.

In circumstances where the Institute receives or pays an amount in foreign currency in advance of a transaction, the transaction date for purposes of determining the exchange rate to use on initial recognition of the related asset, income or expense is the date on which the Institute initially recognised the non-monetary item arising on payment or receipt of the advance consideration.

If there are multiple payments or receipts in advance, Institute determines a date of transaction for each payment or receipt of advance consideration.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in surplus or deficit in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in surplus or deficit, any exchange component of that gain or loss is recognised in surplus or deficit.

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

ACCOUNTING POLICIES

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

Application of IFRS 16 Leases

In the current year, the company has adopted IFRS 16 Leases (as issued by the IASB in January 2016) with the date of initial application being 01 April 2019. IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC 27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in the accounting policy for leases. The impact of the adoption of IFRS 16 on the Institute's annual financial statements is insignificant.

3. New Standards and Interpretations

3.1 Standards and interpretations effective and adopted in the current year

In the current year, the Institute has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

IFRS 16 Leases

IFRS 16 Leases is a new standard which replaces IAS 17 Leases, and introduces a single lessee accounting model. The main changes arising from the issue of IFRS 16 which are likely to impact the Institute are as follows:

Institute as lessee:

- Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short term leases or leases where the underlying asset has a low value, which are expensed on a straight line or other systematic basis.

- The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee; and an estimate for any provision for dismantling, restoration and removal related to the underlying asset.
- The lease liability takes into consideration, where appropriate, fixed and variable lease payments; residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the lease.
- The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model.
- The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.
- Re-measurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in surplus or deficit.
- The lease liability is re-measured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.

ACCOUNTING POLICIES

3. New Standards and Interpretations [continued]

- The lease liability is re-measured by discounting revised lease payments at the original discount rate

when there is a change in the amounts expected to be paid in a residual value guarantee or when there

is a change in future payments because of a change in index or rate used to determine those payments.

- Certain lease modifications are accounted for as separate leases. When lease modifications which

decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee

re-measures the lease liability by decreasing the carrying amount of the right of lease asset to reflect the

full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease

is recognised in surplus or deficit. For all other lease modifications which are not required to be

accounted for as separate leases, the lessee re-measures the lease liability by making a corresponding

adjustment to the right-of-use asset.

- Right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If

not, then the line item in which they are included must be disclosed. This does not apply to right-of-use

assets meeting the definition of investment property which must be presented within investment property.

IFRS 16 contains different disclosure requirements compared to IAS 17 leases.

Institute as lessor:

- Accounting for leases by lessors remains similar to the provisions of IAS 17 in that leases are classified as either finance leases or operating leases. Lease classification is reassessed only if there has been a modification.
- A modification is required to be accounted for as a separate lease if it both increases the scope of the lease by adding the right to use one or more underlying assets; and the increase in consideration is commensurate to the stand alone price of the increase in scope.
- If a finance lease is modified, and the modification would not qualify as a separate lease, but the lease would have been an operating lease if the modification was in

effect from inception, then the modification is accounted for as a separate lease. In addition, the carrying amount of the underlying asset shall be measured as the net investment in the lease immediately before the effective date of the modification. IFRS 9 is applied to all other modifications not required to be treated as a separate lease.

- Modifications to operating leases are required to be accounted for as new leases from the effective date of the modification. Changes have also been made to the disclosure requirements of leases in the lessor's financial statements.

Sale and leaseback transactions:

- In the event of a sale and leaseback transaction, the requirements of IFRS 15 are applied to consider whether a performance obligation is satisfied to determine whether the transfer of the asset is accounted for as the sale of an asset.

- If the transfer meets the requirements to be recognised as a sale, the seller-lessee must measure the new right-of-use asset at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained. The buyer-lessor accounts for the purchase by applying applicable standards and for the lease by applying IFRS 16

- If the fair value of consideration for the sale is not equal to the fair value of the asset, then IFRS 16 requires adjustments to be made to the sale proceeds. When the transfer of the asset is not a sale, then the seller-lessee continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds. The buyer-lessor recognises a financial asset equal to the transfer proceeds.

The effective date of the standard is for years beginning on or after 01 January 2019.

The Institute has adopted the standard for the first time in the 2020 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

Botswana Institute for Development Policy Analysis
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ACCOUNTING POLICIES

3. New Standards and Interpretations [continued]

3.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the Institute's accounting periods beginning on or after 01 April 2020 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected Impact
• CF Conceptual Framework for Financial Reporting	01 January 2020	Unlikely there will be a material impact
• IFRS 3 Definition of a Business (Amendments to IFRS 3)	01 January 2020	Unlikely there will be a material impact
• IAS 1 and IAS 8 Definition of Material (Amendments to IAS 1 and IAS 8)	01 January 2020	Unlikely there will be a material impact



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2020

Botswana Institute for Development Policy Analysis

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 June 2020

4. Property, plant and equipment

	2020			2019		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Buildings	14 060 000	-	14 060 000	12 675 000	(233 300)	12 441 700
Furniture and fixtures	747 466	(642 299)	105 167	747 466	(618 650)	128 816
Motor vehicles	1 387 878	(693 622)	694 256	1 387 878	(346 653)	1 041 225
Office equipment	721 894	(489 609)	232 285	620 014	(512 897)	107 117
Computer software	1 023 790	(837 081)	186 709	987 397	(674 016)	313 381
Library books	622 170	(622 170)	-	622 170	(620 290)	1 880
Total	18 563 198	[3 284 781]	15 278 417	17 039 925	[3 005 806]	14 034 119

Reconciliation of property, plant and equipment -2020

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Total
Buildings	12 441 700	-	-	1 851 600	(233 300)	14 060 000
Furniture and fixtures	128 816	-	-	-	(23 649)	105 167
Motor vehicles	1 041 225	-	-	-	(346 969)	694 256
Office equipment	107 117	209 798	(3 167)	-	(81 463)	232 285
Computer software	313 381	36 395	-	-	(163 067)	186 709
Library books	1 880	-	-	-	(1 880)	-
	14 034 119	246 193	[3 167]	1 851 600	[850 328]	15 278 417

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Depreciation	Total
Buildings	12 675 000	-	-	(233 300)	12 441 700
Furniture and fixtures	57 102	93 237	-	(21 523)	128 816
Motor vehicles	1 387 878	-	-	(346 653)	1 041 225
Office equipment	177 020	28 265	(4 158)	(94 010)	107 117
Computer software	456 369	42 531	-	(185 519)	313 381
Library books	8 844	1 600	-	(8 564)	1 880
	14 762 213	165 633	[4 158]	[889 569]	14 034 119

Property, plant and equipment encumbered as security

Land and building consist of a certain piece of land, being portion 134 of the Farm Forest Hill No. 9-KO measuring 1554 square meters held under a title deed MA56/2003 dated 01 March 2003 for a 99 year period commencing 01 March 2003.

The effective date of the revaluations of Land and Buildings was 10 June 2020. Revaluations were performed by an independent valuers Knight Frank. The land and Buildings were valued at P 14 060 000 representing the open market value arrived at using discounted cash flow method. Inspection of the properties were conducted during the valuation.

Botswana Institute for Development Policy Analysis

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 June 2020

FIGURES IN PULA	NOTE(S)	2020	2019
5. Financial assets			
Financial assets are presented at amortised cost, which is net of loss allowance, as follows:			
Stanlib Investment management services		10 957 950	5 799 627
The fair value of the investments in money market funds are based on the valuation of units provided by the fund manager. The fund manager's valuation is based on market value of the underlying assets of each fund.			
Bank Gaborone Limited		9 351 547	8 952 141
African Banking Corporation of Botswana Limited		-	5 189 512
Esponent Asset Management Company		-	3 739 114
		20 309 497	23 680 394
Split between non-current and current portions			
		20 309 497	23 680 394
Current assets			

Exposure to credit risk

Financial assets inherently exposes the Institute to credit risk, being the risk that the Institute will incur financial loss if counterparties fail to make payments as they fall due.

Other financial assets are subject to the impairment provisions of IFRS 9 Financial Instruments, which requires a loss allowance to be recognised for all exposures to credit risk. The loss allowance for Other financial assets is calculated based on twelve month expected losses if the credit risk has not increased significantly since initial recognition. In cases where the credit risk has increased significantly since initial recognition, the loss allowance is calculated based on lifetime expected credit losses. The loss allowance is updated to either twelve month or lifetime expected credit losses at each reporting date based on changes in the credit risk since initial recognition.

In determining the amount of expected credit losses, the Institute has taken into account any historic default experience, the financial positions of the counterparties as well as the future prospects in the industries in which the counterparties operate or are employed. This information has been obtained from the counterparties themselves, as well as from economic reports, financial analyst reports and various external sources of actual and forecast data and is applied to estimate a probability of default occurring as well as estimating the loss upon default.

Credit rating framework

For purposes of determining the credit loss allowances, management determine the credit rating grades of each loan at the end of the reporting period. These ratings are determined either externally through ratings agencies or internally where external ratings are not available.

The table below sets out the internal credit rating framework which is applied by management for loans for which external ratings are not available. The abbreviation "ECL" is used to depict "expected credit losses."

Internal credit grade	Description	Basis for recognising expected credit losses
Performing	Low risk of default and no amounts are past due	12m ECL
Doubtful	Either 30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL (not credit impaired)
In default	Either 90 days past due or there is evidence that the asset is credit impaired	Lifetime ECL (credit impaired)
Write-off	There is evidence indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.	Amount is written off

Botswana Institute for Development Policy Analysis

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
For the year ended 31 June 2020

FIGURES IN PULA **2020** **2019**

5. Financial assets (continued)

Credit loss allowances

The following tables set out the carrying amount, loss allowance and measurement basis of expected credit losses for financial assets by credit rating grade: 2020

Instrument	External credit rating (where applicable)	Rating agency	Internal credit rating (where applicable)	Basis of loss allowance	Gross Carrying amount	Loss allowance	Amortised cost
Stanlib Investment management services Bank Gaborone Limited	-BBB	Fitch	Performing	12m ECL	10 957 950	-	10 957 950
Bank Gaborone Limited	N/a	N/a	Performing	12m ECL	9 351 547	-	9 351 547
BluThorn Fund Managers (Pty) Ltd [EscoponentAsset Management Company]	N/a	N/a	In default	Lifetime ECL (credit impaired)	3 739 114	(3 739 114)	-
2019					24 048 611	(3 739 114)	20 309 497

Instrument	External credit rating (where applicable)	Rating agency	Internal credit rating (where applicable)	Basis of loss allowance	Gross Carrying amount	Loss allowance	Amortised cost
Stanlib Investment management services Bank Gaborone Limited	-BBB	Fitch	Performing	12m ECL	5 799 627	-	5 799 627
African Banking Corporation of Botswana Limited	N/a	N/a	Performing	12m ECL	8 952 141	-	8 952 141
BluThorn Fund Managers (Pty) Ltd [Escoponent Asset Management Company]	N/a	N/a	Performing	12m ECL	5 189 512	-	5 189 512
					3 739 114	-	3 739 114
					23 680 394	-	23 680 394

During the year, the regulator of Non banking financial institutions in the country, NBFIRA, conducted regular onsite inspection into the affairs of BluThorn Fund Managers (Pty) Ltd erstwhile known as Escoponent Investment (Pty) Ltd, a company where the Institute had placed some investments and reported that the said company was indulging in activities other than what they were licensed to and also that proper bank accounts were not maintained. Subsequent to this, NBFIRA froze the business of the company and later placed it under statutory management.

As at the date of approval of these financial statements, the statutory manager has reported, amongst other things, that the company is technically insolvent and may not be in a position to repay its investees. Under these circumstances, the management have determined that the "lifetime loss" arising on this investment is 100%.

Botswana Institute for Development Policy Analysis

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 June 2020

FIGURES IN PULA	NOTE(S)	2020	2019
6. Project work in progress			
Project revenue is recognised according to the stage of completion at the end of the reporting period. The institute measures the percentage of completion using the efforts-expended method.			
Unbilled revenue		-	49 423
7. Trade and other receivables			
Financial instruments:			
Trade receivables		1 999 387	1 037 473
Loss allowance		(85 085)	(85 085)
Trade receivables at amortised cost		1 914 302	952 388
Deposits		8 000	8 000
Other receivable		2 925	257 902
Non-financial instruments:			
Value added tax		104 263	60 096
Employee costs in advance		1 957	34 948
Prepayments		29 893	28 079
Total trade and other receivables		2 061 340	1 341 413
Split between non-current and current portions			
Current assets		2 061 340	1 341 413
Financial instrument and non-financial instrument components of trade and other receivables			
At amortised cost		1 925 227	1 218 290
Non-financial instruments		136 113	123 123
		2 061 340	1 341 413

Exposure to credit risk

Trade receivables inherently expose the company to credit risk, being the risk that the company will incur financial loss if customers fail to make payments as they fall due.

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Trade receivables which have been written off are not subject to enforcement activities.

The Institute measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables. These lifetime expected credit losses are estimated using a provision matrix, which is presented below. The provision matrix has been developed by making use of past default experience of debtors but also incorporates forward looking information and general economic conditions of the industry as at the reporting date.

Botswana Institute for Development Policy Analysis

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 June 2020

FIGURES IN PULA	NOTE(S)	2020	2019
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7. Trade and other receivables (continued)

The estimation techniques explained have been applied for the first time in the current financial period, as a result of the adoption of IFRS 9. Trade receivables were previously impaired only when there was objective evidence that the asset was impaired. The impairment was calculated as the difference between the carrying amount and the present value of the expected future cash flows.

The Institute's historical credit loss experience does not show significantly different loss patterns for different customer segments. Included in the trade and other receivables are receivables owed by state owned entities and non governmental organisations which have been collected subsequent to the year end. There has not been any significant increase in credit risk or risk of default on these balances and based on probability of default, loss given default, the expected credit loss is determined at Nil for both the current and previous year. The provision for credit losses is therefore based on past due status without desegregating into further risk profiles. The loss allowance provision is determined as follows:

	2020	2020	2019	2019
Expected credit loss rate:	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
Not past due:	1 914 302	-	529 266	-
>90 days past due:	85 085	85 085	508 207	85 085
Total	1 999 387	85 085	1 037 473	85 085

Fair value of trade and other receivables

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

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand		3 628	4 000
Bank Balances		7 171 287	6 524 874
		7 174 915	6 528 874

Credit quality of cash at bank and short term deposits, excluding cash on hand

Bank balances include amount of P 134 019 (2019: P 167 666) held on behalf of Vision 2036. The project is currently administered by Botswana Institute for Development Policy Analysis.

9. Training fund reserve

A training fund has been set up and accordingly an amount of P8 701 477 has been transferred from reserve to the training fund reserve. The funds will be used assist professional training and public education of Botswana citizens in matters relating to policy analysis and encourage collaboration between expatriates and local professionals in these matters in ways which will build and augment national capacities for performance and understanding of policy analysis. The funds are for PhD training and were necessary will include training at masters level.

Transferred from retained earnings

8 701 477

Botswana Institute for Development Policy Analysis

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 June 2020

FIGURES IN PULA	NOTE(S)	2020	2019
10. Building fund reserve			
An amount of P3 860 000 has been transferred from reserves to the building reserves. These fund will be used for the renovations on the BIDPA building which had been scheduled to commence in in June 2020 and end in March 2021. Renovations include the superstructure and excludes other additional components that had to be removed from the renovation stage. It includes replacement of the lift, replacement of environmentally friendly air conditioners, partitioning of smaller meeting rooms as well as other aesthetic additional's.			
Transferred from retained earnings		3 860 000	-
Deferred income represent amounts which have not been utilised received by the Institute towards specific projects including renovations of the building.			
11. Trade and other payables			
Financial instruments:			
Trade payables		77 561	460 717
Vision 2036 funds		134 019	167 666
Other payables		56 942	714 566
Non-financial instruments:			
Accrued leave pay		917 251	800 400
Gratuity accrual		5 264 671	4 841 907
		6 450 444	6 985 256
Fair value of trade and other payables			
The fair value of trade and other payables approximates their carrying amounts.			
12. Grants related to assets			
Non-current liabilities		108 741	143 042
Current liabilities		4 928 040	6 364 174
		5 036 781	6 507 216
The Institute receives grants from the Government based on the budget approved by the Board of Trustees and the Ministry of Finance and Economic Development.			
Grants related to assets			
Balance at the beginning of the year		143 042	530 991
Received during the year		246 190	165 632
Released to income statement		[280 491]	[553 581]
		108 741	143 042
Deferred Income			
Balance at the beginning of the year		6 364 174	6 381 006
Received during the year		288 700	148 800
Transfer to capital grant		[246 191]	[165 632]
Transfer to revenue		[1 478 643]	-
		4 928 040	6 364 174

Botswana Institute for Development Policy Analysis

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 June 2020

FIGURES IN PULA	NOTE(S)	2020	2019
13. Revenue			
Revenue from contracts with customers			
Income earned from research projects		5 441 783	2 418 955
14. Grant income			
Government of Botswana		[21 211 300]	[21 351 200]
PHD training grant		[1 478 643]	-
15. Other operating income			
Other sundry income		776	140 563
Amortisation of capital grants		280 491	553 582
		281 267	694 145
16. Other operating gains			
Foreign exchange gains [losses]			
Net foreign exchange gains		283 218	134 818
17. Operating profit			
Operating profit for the year is stated after charging (crediting) the following, amongst others:			
Auditor's remuneration-external			
Audit fees		120 248	106 677
Auditor's remuneration - internal		108 875	140 178
Depreciation and amortisation			
Depreciation of property, plant and equipment		850 328	889 569
Other			
Project costs		677 173	479 095

Expenses by nature

The total general and administrative expenses, research and development expenses, maintenance expenses and other operating expenses are analysed by nature as follows:

Botswana Institute for Development Policy Analysis

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 June 2020

FIGURES IN PULA	NOTE(S)	2020	2019
17. Operating profit (continued)			
Employee costs		18 800 440	16 851 894
Depreciation, amortisation and impairment		850 328	889 569
Other expenses		1 841 020	1 877 738
Training		1 896 408	2 532 634
Conference costs		258 081	961 350
Board expenses		303 446	806 382
Consulting and professional fees		725 208	691 109
Telephone and fax		393 053	387 421
Advertising		284 572	335 717
Project costs		677 173	479 095
Cleaning costs		286 310	309 386
		26 316 039	26 122 295
18 Employee costs			
Employee costs			
Basic		12 021 513	10 838 647
Medical aid		353 492	312 312
Performance bonus		169 297	203 020
Pay in lieu leave		775 611	594 667
Gratuity		3 549 890	3 207 878
Scarcity allowances		1 168 766	1 124 857
Recruitment & Repatriation		291 381	-
Cellphone allowance		140 015	125 510
Entertainment benefit		330 475	445 003
		18 800 440	16 851 894
19. Finance income			
Interest income			
Investments in financial assets:			
Bank and other cash		702 532	1 138 564
20. Cash generated from operations			
Profit (loss) before taxation		(656 410)	(384 613)
Adjustments for:			
Depreciation and amortisation		850 328	889 569
Finance income		(702 532)	(1 138 564)
Net impairments and movements in credit loss allowances		3 739 114	-
Amortisation of capital grant		(280 491)	(553 582)
Changes in working capital:			
Trade and other receivables		(719 927)	784 244
Trade and other payables		(534 809)	1 068 171
Grants related to assets		(1 478 644)	-
		216 629	665 225

Botswana Institute for Development Policy Analysis

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 June 2020

FIGURES IN PULA	NOTE(S)	2020	2019
21. Related parties			
Relationships			
Entities with significant influence	Government of Botswana		
Projects controlled by the institute	Technical Assistance Project		
Independent Board Committee Members	Mr C. Moapare Ms D. Ramphaleng Mr Z. Mmolawa Ms K. Keloneilwe Mr. L. Tlhalerwa Ms M. Molebatsi Ms W. Ramaphoi		
Members of key management	Dr. T. B. Seleka (Executive Director) Prof. P. Malope (Senior Research Fellow) Ms. B. Siwawa-Moepeng (Finance Manager) Prof. E Kouassi (Senior Research Fellow) (Resigned May 2019) Mr. J. Seanego (Knowledge Management and Dissemination Manager) (Resigned June 2019) Ms. B Wadikonyana (Human Resource and Administration Manager) Mr M Madisa (IT Manager) (Appointed August 2019) Dr G Somolekae (Senior Research Fellow) (Appointed November 2019) Dr M Nchake (Senior Research Fellow) (Appointed February 2020) Ms P Ntokwane (Knowledge Management and Dissemination Manager) (Appointed January 2020)		
Related party balances			
Amounts included in Trade receivable (Trade Payable) regarding related parties			
Technical Assistance Project		753 852	354 341
Related party transactions			
Grant received from related parties including deferred grants			
Government of Botswana grant income		(21 211 300)	(21 351 200)
Government of Botswana grants received during the year		(288 700)	(148 800)
		(21 500 000)	(21 500 000)
Board transactions			
Board sitting fees and expenses		303 446	298 919
Administration fees received from related parties			
Technical Assistance Project		(753 852)	(316 376)

Botswana Institute for Development Policy Analysis

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 June 2020

FIGURES IN PULA	NOTE(S)	2020	2019
21. Related parties [continued]			
Key management remuneration			
Remuneration paid		3 873 672	4 188 443
Other long term employee benefits		951 131	1 035 484
		4 824 803	5 223 927

22. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2020

	Note(s)	Amortised cost	Total	Fair value
Financial asset	5	24 403 883	24 403 883	24 403 883
Trade and other receivables	7	1 925 227	1 925 227	1 925 227
Cash and cash equivalents	8	7 315 141	7 315 141	7 315 141
		33 644 251	33 644 251	33 644 251

2019

	Note(s)	Amortised cost	Total	Fair value
Financial asset	5	23 680 394	23 680 394	23 680 394
Trade and other receivables	7	1 218 290	1 218 290	1 218 290
Cash and cash equivalents	8	6 528 874	6 528 874	6 528 874
		31 427 558	31 427 558	31 427 558

Categories of financial liabilities

2020

	Note(s)	Amortised cost	Total	Fair value
Trade and other payables	11	268 519	268 519	268 519

2019

	Note(s)	Amortised cost	Total	Fair value
Trade and other payables	11	1 342 944	1 342 944	1 342 944

Botswana Institute for Development Policy Analysis

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 June 2020

22. Financial instruments and risk management (continued)**Financial risk management****Overview**

The Institute is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

The board of trustees has overall responsibility for the establishment and oversight of the Institute's risk management framework. The board has established the risk committee, which is responsible for developing and monitoring the Institute's risk management policies. The committee reports quarterly to the board of trustees on its activities.

The Institute's risk management policies are established to identify and analyse the risks faced by the Institute, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Institute's activities.

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.

Credit risk for exposures other than those arising on cash and cash equivalents, are managed by making use of credit approvals, limits and monitoring. The institute only deals with reputable counterparties with consistent payment histories. The exposure to credit risk and the creditworthiness of counterparties is continually monitored.

Credit risk exposure arising on cash and cash equivalents is managed by the entity through dealing with well established financial institutions with high credit ratings.

The maximum exposure to credit risk is presented in the table below:

		2020			2019		
		Gross carrying amount	Credit loss allowance	Amortised cost	Gross carrying amount	Credit loss allowance	Amortised cost
Financial asset	5	24 048 611	[3 739 114]	20 309 497	23 680 394		23 680 394
Trade and other receivables	7	2 010 312	[85 085]	1 925 227	1 303 375	[85 085]	1 218 290
Cash and cash equivalents	8	7 315 141	-	7 315 141	6 528 874	-	6 528 874
		33374 064	[3 824 199]	29 549 865	31 512 643	[85 085]	31 427 558

Botswana Institute for Development Policy Analysis

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 June 2020

22. Financial instruments and risk management (continued)**Liquidity risk**

The Institute is exposed to liquidity risk, which is the risk that the Institute will encounter difficulties in meeting its obligations as they become due.

The Institute manages its liquidity risk by effectively managing its working capital, capital expenditure and cash flows.

There have been no significant changes in the liquidity risk management policies and processes since the prior reporting period.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

2020

	Less than 1 year	Total	Carrying amount
Current liabilities			
Trade and other payables	268 519	268 519	268 519

2019

	Less than 1 year	Total	Carrying amount
Current liabilities			
Trade and other payables	11 1 342 944	1 342 944	1 342 944

Foreign currency risk

The Institute is exposed to foreign currency risk for transactions which are denominated in a currency other than Pula. The Institute does not take cover on foreign currency as it regards the Pula as a stable currency. The Institute's exposure to foreign exchange risk, based on notional amounts, is analysed as follows:

Exposure in foreign currency amounts

The net carrying amounts, in foreign currency of the above exposure was as follows:

US Dollar exposure:

Current assets:			
Trade and other receivables	7	78 656	365 004
Cash and cash equivalents	8	2 866 159	1 421 066
Net US Dollar exposure		2 944 815	1 786 070

Exchange rates

Pula per unit of foreign currency:		
US Dollar	11.976	10.780

Botswana Institute for Development Policy Analysis

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 June 2020

22. Financial instruments and risk management (continued)**Interest rate risk**

As the Institute has significant interest-bearing assets, the Institute's income and operating cash flows are substantially independent 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 then made.

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

Interest rate sensitivity analysis

The following sensitivity analysis has been prepared using a sensitivity rate which is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. All other variables remain constant. The sensitivity analysis includes only financial instruments exposed to interest rate risk which were recognised at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

Increase or decrease in rate	2020	2020	2019	2019
	Increase	Decrease	Increase	Decrease
Impact on profit or loss: Financial assets 0.1% (2019: 0.1%)	17 812	[24 302]	23 680	[23 680]

Botswana Institute for Development Policy Analysis

DETAILED INCOME STATEMENT

For the year ended 31 June 2020

FIGURES IN PULA	NOTE(S)	2020	2019
Revenue			
Income earned from research projects		5 441 783	2 418 955
Grant income	14	22 689 943	21 351 200
Gross income		28 131 726	23 770 155
Other operating income			
Sundry Income		776	140 563
Amortisation of fixed assets		280 491	553 582
	15	281 267	694 145
Other operating gains [losses]			
Foreign exchange gains		283 218	134 818
Movement in credit loss allowances	17	[3 739 114]	-
Expenses [Refer to page 37]		[26 316 039]	[26 122 295]
Operating [loss] profit	17	[1 358 942]	[1 523 177]
Finance income	19	702 532	1 138 564
[Loss] profit for the year		[656 410]	[384 613]

Botswana Institute for Development Policy Analysis

DETAILED INCOME STATEMENT

For the year ended 31 June 2020

FIGURES IN PULA	NOTE(S)	2020	2019
Other operating expenses			
Advertising		(284 572)	(335 717)
Auditors remuneration external auditors	17	(120 248)	(106 677)
Auditors remuneration internal audit	17	(108 875)	(140 178)
Bank charges		(38 655)	(42 038)
Board expenses		(303 446)	(806 382)
Cleaning		(286 310)	(309 386)
Conference costs		(258 081)	(961 350)
Consulting and professional fees		(725 208)	(691 109)
Consumables		(2 721)	(16 940)
Corporate Social Responsibility		-	(3 971)
Depreciation		(850 328)	(889 569)
Employee costs		(18 800 440)	(16 851 894)
Entertainment		(4 198)	(5 000)
IT expenses		(165 040)	(145 948)
Insurance		(171 523)	(163 805)
Internship allowance		(49 382)	-
Legal fees		(9 951)	(59 468)
Motor vehicle expenses		(66 340)	(109 244)
Project Costs		(673)	(479 095)
Postage		(100)	(6 187)
Printing and stationery		(82 231)	(155 931)
Publication		(168 497)	(91 245)
Repairs and maintenance		(152 005)	(188 295)
Security		(79 604)	(83 457)
Staff welfare		(50 455)	(71 186)
Stanlib charge		(56 000)	-
Subscriptions		(158 616)	(83 213)
Telephone and fax		(393 053)	(387 421)
Training		(1 896 408)	(2 532 634)
Travel expenses		(94 184)	(141 317)
Utilities		(262 395)	(263 638)
		(26 316 039)	(26 122 295)



**Botswana Institute
for Development
Policy Analysis**

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