



TIPS NEWSLETTER APRIL 2017

This newsletter reports on some of our research projects. It also provides information about this year's Annual Forum and links to recent research and policy briefs.

Manufacturing Circle MCIT

In partnership with TIPS and Nascence Advisory and Research, the Manufacturing Circle has released its Manufacturing Composite Investment Tracker (MCIT). The MCIT has replaced the Manufacturing Circle Quarterly Bulletin. This new survey of manufacturing firms aims to track their investment in the manufacturing sector, and measures levels of investment for capital expenditure, working capital, research and development, and employment. This weighted composite index is designed as an early warning system for assessing the status of the manufacturing sector.

In the third quarter of 2016, investments by surveyed manufacturing enterprises recorded 70.3 points, which is considered a positive signal for the country's manufacturing sector. However, this fell to 58 points for the fourth quarter. An MCIT level above 50 points indicates expansion in investment spending by manufacturing enterprises, while a level below 50 points indicates contraction. The index is not seasonally adjusted.

The MCIT shows that South Africa's manufacturing sector continues to show resilience but is facing numerous challenges. Plant and equipment as a component was the largest contributor to the expansion of the index in Q3, which subsequently fell in Q4; which is likely a reflection of the end of year slowdown. This was also evident in the drop in investment in inventory levels, which is an important contributor to the index, as it highlights demand conditions and expectations.

Manufacturers that participated in the survey highlighted the weaker exchange rate, which had encouraged exports as well as the Department of Trade and Industry (the dti) incentives (particularly the Manufacturing Competitiveness Enhancement Programme) as important factors for their levels of investment in the third quarter.

The MCIT for both the [Third](#) and [Fourth](#) quarter of 2016 are available on the TIPS website.

Poultry Task Team

The crisis faced by the poultry industry saw producers closing down several operations and thousands of jobs being lost in the sector. The dti initiated the establishment of an interdepartmental/industry/labour Poultry Task Team to look at measures to stabilise the poultry sector in the immediate period, and importantly to look at its long-term sustainability and competitiveness.

TIPS was requested to undertake research for the Task Team and is providing ongoing support to the work of the Task Team.

Analysis of industrial policies and the state of implementation in South Africa

TIPS was commissioned by Friedrich Ebert Stiftung (FES) South Africa to provide an overview of progress on South Africa's industrial policies and their implementation. The report traced the history of industrial policy development in South Africa from the apartheid period through the transition to democracy and into the current period.

Trade & Industrial Policy Strategies (TIPS) is a not-for-profit economic research organisation based in Pretoria, South Africa. TIPS has three main focus areas: trade and industrial policy, sustainable growth, and inequality and economic inclusion. TIPS undertakes research and analysis, and facilitates policy development, dialogue and capacity building.

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The report considers the institutions, investments, legislation and different approaches to industrial policy. It concludes by noting the importance of co-ordination and alignment of industrial policy interventions through intra-government co-ordination, and the role of social partners. It also highlights the difficulty and complexity of implementing industrial policy in a constrained fiscal environment, the important role of the Industrial Policy Action Plan in prioritising sector interventions, and the trade-offs in undertaking specific interventions versus addressing systemic blockages in a sector.

The dti sector work

TIPS has been providing research support to the dti agro-processing sector desk. The research considered the opportunities and constraints in the agricultural value chain as a whole, analysed some of the major value chains within agro-processing, reviewed the existing national strategies on agro-processing, and identified strategies to achieve more rapid and inclusive growth in agro-processing. Specific briefing notes were also prepared on a number of value chains, including dairy, soya, sugar and wine.

TIPS undertook a comprehensive study on the use of cassava starch for industrial purposes and as a substitute for other forms of starch (which are mainly imported), with an emphasis on local production and backwards linkages into agriculture. The research takes place alongside agricultural testing to determine the viability of domestically growing cassava competitively. The research team engaged with the large-scale users of starch and considered market demand, switching and price.

TIPS continues to provide support to the dti and the Department of Planning Monitoring & Evaluation (DPME) on the outcomes of the Mining Phakisa, which has included a study on the mining supply chain, and support for establishing an R&D hub for, among other things, equipment for the mining sector.

Regional value chains

TIPS has been working on a multi-year programme to map and analyse regional value chains in partnership with the Centre for Competition, Regulation and Economic Development (CCRED) and the University of Johannesburg as well as a number of research institutes across the region. The aim of the research is to strengthen regional industrial development.

The TIPS research team has recently completed a study on the forestry to pulp, paper and furniture value chain looking at South Africa, Tanzania and Mozambique. The research identified a number of areas to strengthen the value chain as well as possible projects for collaboration between South Africa and its neighbours. The TIPS team also undertook research on technical regulations and standards bodies in the region, as a cross-cutting issue that would contribute to an enabling environment for industrial development.

Sustainability and industrial development

TIPS has been undertaking an analysis of green trade and industry for the United Nations Partnership for Action on Green Economy (PAGE). The aim of the research is to identify and unlock new green manufacturing opportunities.

Following a scoping phase, the team is focusing on exploring opportunities in renewable energy generation technologies. Five technologies have been selected, namely biogas for transport, solar components, water treatment, water conservation, and bio-composite materials. The potential for niche areas in manufacturing for export promotion and import substitution will be assessed.

Renewable energy and municipalities

TIPS, in partnership with the World Wide Fund for Nature South Africa (WWF-SA) and the Centre for Renewable and Sustainable Energy Studies (CRSES), conducted work with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH on designing business models for South African municipalities to roll out renewable energy technologies. Findings were presented at the South African-German Energy Partnership workshop in Pretoria in February this year.

Energy sustainability in SADC

TIPS is collaborating with the UN Conference on Trade and Development (UNCTAD) to explore the potential of regional integration in enhancing electricity sustainability in the Southern African Development Community (SADC) region. The project assesses the electricity sustainability of the region in terms of security of supply, equity, and environmental sustainability. It looks at how regional integration can encourage infrastructure development, trade, knowledge sharing, and the deepening and expansion of SADC's electricity supply networks.

TIPS ANNUAL FORUM 2017: INDUSTRIALISATION AND SUSTAINABLE GROWTH

TIPS will be hosting its 2017 Annual Forum on 13-14 June at TIPS's offices in Pretoria. This year's forum is being undertaken in partnership with the South African Research Chair in Industrial Development (University of Johannesburg), the Green Economy Coalition (GEC), and the Department of Trade and Industry. The theme of the forum is Industrialisation and Sustainable Growth and it aims to deepen understanding of the opportunities and challenges of moving toward a sustainable, low-carbon, industrial development path. The conference will also explore reconciling environmental and socio-economic imperatives within the Southern African context.

Registration will open in early May. For more information go to www.developmentdialogue.co.za.

Green jobs

In partnership with WWF-SA, TIPS is working on better understanding and unlocking green employment opportunities in South Africa. This involves an assessment of the opportunities and challenges, stakeholder engagement and collaboration, a look at value chains, capacity building in businesses and skills development, and identifying blockages and solutions to unlocking green jobs.

Climate finance

TIPS and the Organisation for Economic Co-ordination and Development (OECD) worked on a climate finance project, in collaboration with the Department of Environmental Affairs (DEA) and National Treasury.

The project aims to estimate and analyse publicly-mobilised private finance for climate action in South Africa. This looks at both the direct effect of public financing on private investments and the indirect effect of government-sponsored capacity building, policies, regulation, and tax incentives on private financing. Preliminary findings were presented at an OECD workshop last month.

Green economy transition

Under the auspices of the Green Economy Coalition (GEC), TIPS, in collaboration with the African Centre for a Green Economy (Africege), is working on a series of background papers on the state of the green economy in South Africa.

In addition, jointly with the Department of Environmental Affairs and other partners, TIPS is supporting the EU-SA Dialogue Facility's process on South Africa's Sustainability Transition.

The first workshop was held in Gauteng in February. Three more are already planned in KwaZulu-Natal, Gauteng and Western Cape.

Socio-Economic Impact Assessment System

TIPS continues to support the implementation of the Socio-Economic Impact Assessment System (SEIAS) methodology by the Department of Planning, Monitoring and Evaluation (DPME) and the Cabinet Office. TIPS worked with DPME officials to review the implementation of SEIAS to date and prepared a report for DPME.

The paper was presented as a SEIAS review Colloquium in March 2017. The aim of the Colloquium was to discuss progress and lessons from the implementation of SEIAS and areas for improvement going forward.

A definition for small business

TIPS was commissioned by the Department of Small Business Development (DSBD) to review the definition of small business in South Africa and assist with a revision to be used in the national Small Business Act. Several studies have been undertaken over the past decade on this issue and a key output of the research has been to consolidate the different thinking and approaches to defining a small business. The research considered the various definitions used internationally, and the methodology (and difficulties) of applying those locally. There are multiple definitions of small business across legislation and regulations at present, which adds to the complexity and administrative burden for small businesses.

Research, development and innovation financial instruments

TIPS was commissioned by the Department of Science and Technology to scope the Research, Development and Innovation (RDI) support instruments in both the public and private sectors. The project aims to identify financial instruments available from both sectors that could leverage private sector RDI.

Centre for trade and regional integration

TIPS formed part of a project team to establish a Centre for Trade and Regional Integration. The project has been undertaken with the support of the dti and in partnership with the United Nations Development Programme (UNDP). The aim of the centre is to undertake research, stimulate dialogue, support capacity development and consider policies to support development integration in Africa.

The centre was launched by Minister Rob Davies on 30 March 2017, with input by former Ambassador Prof Faizel Ismail who will be leading the work of the Centre. TIPS will continue to work with the centre and will jointly collaborate on some of the outputs.

Fees Commission

Amid the #FeesMustFall crisis at South African universities, TIPS provided input to the Fees Commission on “the broader social, economic and financial implications of providing fee-free higher education and training”.

As part of its input, TIPS considered the absorption of graduates into the economy.

Given that university education promotes social and economic development through combating income inequality and the skills shortage, and promoting social mobility, the presentation considered:

- * The distribution of the cost of university more fairly across households, particularly between poor and wealthy households;
- * Providing a more sustainable financing model for universities, and
- * Ensuring freedom for universities in fulfilling their role in advancing critical thinking and research.

Broadly, the package of proposals put forward aimed to minimise the disproportionate burden, placed by the current fees system, on lower-income households (students).

The proposals put forward were to:

- * Expand NSFAS funds through a zero-interest loan from the UIF surplus;
- * Have differentiated fees, with a benchmark to equalise the burden relative to household income;
- * Increase funding to replace fees through a tax for graduates, and
- * Increase private funding for universities.

Each proposal considered the costs, benefits, and risks to different stakeholders.

POLICY BRIEFS

TIPS has produced the following Policy Briefs in the past quarter (click on the titles to access these).

Making the Industrial Parks Revitalisation Programme work for employment and firm growth – Mbofholowo Tsedu, TIPS Senior Economist.

Electricity supply in South Africa: Path dependency or decarbonisation? – Gaylor Montmasson-Clair, TIPS Senior Economist: Sustainable Growth.

South Africa’s trade and investment relationship with the United States post-AGOA – Prof Faizel Ismail, TIPS Member.

A practical agenda for reducing technical barriers to trade in SADC – Christopher Wood, TIPS Economist.

To access other Policy Briefs go to: [TIPS Policy Briefs](#).

THE REAL ECONOMY BULLETIN

Every quarter TIPS produces The Real Economy Bulletin, which assesses trends and developments in the real economy and provides data and analysis on key manufacturing industries. The **Fourth Quarter 2016** is now available (click on title to access). For earlier editions and the annual REB Provincial Review 2016 go to: [The Real Economy Bulletin](#).

RESEARCH PUBLISHED

The changing global trade architecture: Implications for Africa's regional integration and development – Prof Faizel Ismail, TIPS Member. (Published in Journal of World Trade 51, no. 1).

The AGOA Extension and Enhancement Act of 2015, the SA-US AGOA negotiations and the future of AGOA – Prof Faizel Ismail, TIPS Member. (Published in World Trade Review).

Advancing the Continental Free Trade Area (CFTA) and Agenda 2063 in the context of the changing architecture of global trade – Prof Faizel Ismail, TIPS Member.

Sub-national economic development strategies for spatially targeted industrialisation: Policy convergence or divergence? – Wendy Nyakabawo, TIPS Economist, Mbofholowo Tsedu, TIPS Senior Economist, and Christopher Woods, TIPS Economist. Prepared for the Economies of Regional Learning Network (ERLN) Conference 2016.

Current heterodox industrial policy thinking: A muting of aspirations or sound, pragmatic suggestions? – Sandy Lowitt, TIPS Research Fellow.

OPPORTUNITIES

APORDE 2017

The 11th edition of the African Programme on Rethinking Development Economics (APORDE) will be held in Johannesburg, South Africa, from 4-15 September 2017. Call for applications for participants to attend closes on **8 May 2017**. For more information and details of how to apply go to [Call for Applications](#).

Economic Society of South Africa Biennial Conference – Call for Papers

The Economic Society of South Africa invites researchers and academics to submit economic papers for the Society's biennial conference to be hosted by Rhodes University from 30 August to 1 September 2017. Papers are invited across all fields of economics, including, but not limited to the following: macroeconomics, growth, development and poverty, monetary economics and policy, industrial organisation, international trade and finance, labour, transport, health, environmental and resource economics, fiscal policy and public economics, political economy, economic history, and methodology. Closing date: 19 May 2017. [Read more](#).

Small Grant Research Papers

In pursuing its mandate of developing capacity in the area of research in trade and industry, TIPS offers small research grants to students at the Masters level. Grants of up to R16 500 are available to students in South Africa, though students from outside South Africa would be considered in exceptional cases. [Read more](#).

DEVELOPMENT DIALOGUES

TIPS continues to host Development Dialogues. In these sessions TIPS presents its own work and invites others to talk on their research or topics of interest.

Recent Development Dialogues (for information and copies of the presentations click on the titles)

Public procurement and industrial development in South Africa – 4 April 2017:

High level policy workshop on red tape reduction and entrepreneurship – 2 March 2017 (closed Development Dialogue): Neva Makgetla (TIPS), Mbongeni Ndlovu (TIPS) and Tamiko Sher (Team member, 2016 Entrepreneurship Research Study: Voices of Entrepreneurs in Johannesburg).

Investment dynamics in South Africa's manufacturing sector – 8 February 2017:

SA-US trade and investment relationship under the AGOA extension – 24 January 2017:

Green industrial policy in South Africa – 22 November 2016:

For details of future seminars please contact Daphney Mabuza at daphney@tips.org.za.

TIPS TRAINING WORKSHOPS

TIPS continues to facilitate training workshops. These are designed and run by experienced academics and experts in their fields. For details of future workshops, contact Rozale Sewduth at rozale@tips.org.za.

Recently TIPS has held workshops on:

Research Methods – 5-7 April. Facilitated by Dr Myriam Velia (TIPS Research Fellow).

Trade Policy and South Africa (Module One) – 27-28 February and 1 March. This workshop simulated the SA-US AGOA negotiations with the aim of providing insights into trade negotiations, institutional power dynamics, bilateral relations, and the changing global dynamics of trade. Facilitated by Prof Faizel Ismail (TIPS Member).

Value Chains – 14-15 March. This workshop aimed to provide a better understanding of the dynamics of value chains for use in a policy environment to contribute to employment growth and productivity enhancement. Facilitated by Dr Neva Makgetla (TIPS Senior Economist).



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