



TIPS NEWSLETTER FEBRUARY 2015

This newsletter reports on some of our activities over the past year and provides an update on some activities in the pipeline for 2015

PERSONNEL CHANGES

TIPS would like to take this opportunity to congratulate Saul Levin on his appointment as Executive Director of TIPS. Neva Makgetla has also recently joined TIPS on a semi full-time basis and continues on a part-time basis as an advisor to the Minister of Economic Development.

There have been a number of changes on the Board. Garth Strachan has been appointed as Chairperson and Rudi Dicks as a board member. TIPS would like to thank outgoing board Chairperson Fundi Tshazibana for her support and contribution to the TIPS Board. Fundi will be going to the IMF for a two-year secondment and will stay on the board as an ordinary member. TIPS will be increasing the size of its board and will also bring on new TIPS members. Details of these will be announced in the next TIPS newsletter.

RESEARCH PROJECTS

Over the past year research conducted included studies of the cosmetics sector and regional value chains, a review of economic regulation in the ports, electricity and renewable energy sectors, the strategic use of technical regulations, South Africa-Indonesia economic cooperation, and a look at the impact of inequality on economic development.

The projects summarised in this newsletter are selected from the three pillars.

Trade and Industrial Policy Pillar Benefits of AGOA to South Africa

At the request of the Department of Trade and Industry (**the dti**), TIPS conducted a study on the *Benefits of the Africa Growth and Opportunity Act (AGOA) to South Africa*. AGOA, adopted in the US in 2000, has augmented exports from Sub-Saharan Africa to the US. Its projected dissolution in September this year could undo its constructive and cumulative contribution to economic development across the continent. During the US-Africa Leaders Summit in Washington in August last year African leaders, including the South African government, pushed for a 15-year extension.

The study assessed sectors using methodologies that incorporated basic calculations, trend analyses, value chain analysis and gravity model estimations. The impact of AGOA, and the potential benefits of reform and extension, were identified in enhancing intraregional trade, employment and economic growth, particularly in sectors that encompass textiles and apparel, automotives and agro-processing industries.

The study analysed the impact of AGOA on the automotives sector, using a specific product line of vehicles (which are predominantly exported) in a panel of 40 countries, between 1996 and 2010. A gravity model was constructed to define the relationship between selected numbers of variables, run over a

TIPS (Trade & Industrial Policy Strategies NPC) is a research organisation that facilitates policy development and dialogue across three Pillars: Trade and Industrial Policy, Inequality and Economic Inclusion, and Sustainable Growth. Its working model integrates research and analysis, policy development, disseminating information, capacity building, technical support, and programme design and management. TIPS is also involved in training and skills transfer and works with the country's leaders in matters pertaining to economic, trade and industrial policy analysis.

AGOA continued

variety of estimation techniques. An Arellano Bond Dynamic Panel Estimation was used to explain the relationship between motor vehicle exports and some key identified export drivers. These encompassed lagged exports, openness of economy, per capita income, government effectiveness, AGOA as the dummy variable and time effect variables. All these variables were found to be statistically significant in determining South Africa's motor vehicle exports. AGOA's impact was thus found to be significant in particularly increasing motor vehicle exports, which outperformed other automobiles such as trucks.

The textile and apparel sector is a low-growth, low-share export sector, whose potential for growth has been disadvantaged by challenges such as high wages and utilities, influx of cheaper and under-invoiced imports, particularly from China among others. The study sought to identify the tariff lines that have less or no competition from Lesotho and Swaziland, and which could be used to lobby for inclusion in the third country fabric provision. Two groups of product lines were identified; those with a comparative advantage and those with a comparative disadvantage. The analysis suggest that South Africa has a comparative advantage in six product lines, which include electric and non-electric blankets; sacks; bags; tents; sails; and camping products. Within these, camping products have the highest value addition, its exports valued at over US\$1 million while the rest are less than US\$0.5 million.

Looking at agriculture, the study ascertained that South Africa's lead export to the US and globally comprised wine and citrus, while essential oils (H3301); ice cream and other edible ice (H2105); seed, fruit and spore for sowing (H1209); vegetables, fruit, nuts, etc., preserved in vinegar (H2001); feathers, down, skins, other parts of birds, unworked (H0505); pepper (piper), crushed or ground capsicum species, pimenta (H0904); and sauce, condiments, mixed seasoning and mustard (H2103) find the US an important market, relative to the rest of the world. South Africa's access to the US market has contributed to employment in all sectors and more so in agriculture, for people of varying skill levels.

At another level, AGOA creates the space for industry to learn and improve on specialised knowledge for exports destined to the US, such as use of sustainable and safe agricultural practices. In addition, AGOA has shown that the increasing trade between Africa and the US has been



Access to the US market has created employment in the citrus industry

to the benefit of both, resulting in greater bilateral relations and overall levels of trade.

Sustainable Growth Pillar Mining and energy

One of the Sustainable Growth Pillar projects last year, made possible with funding from the Global Green Growth Institute (GGGI), was a study on the impact of electricity price increases on the energy usage practices and competitiveness of selected mining sector and smelting value chains in South Africa; focussing in particular on the platinum, gold, iron ore and coal value chains. Among other sources, the study was informed by annual reports of mining companies in the selected value chains as well as semi-structured interviews with representatives from the companies operating within these value chains. The study found that mining and linked manufacturing companies continue to be heavily energy- and carbon-intensive. Efforts to positively alter this are limited, despite rising electricity price increases and interruptions to supply.

Overall, the impact of electricity price increases has not been sufficient to trigger substantial changes in behaviour and processes. However, marginal cost savings and security of supply concerns have driven some investments in alternative sources of energy and efficiency. Companies across value chains have primarily adopted traditional solutions, such as load shifting and diesel-run back-up generators (i.e. the optimisation of non-core activities and processes), which are not necessarily optimal solutions from an environmental sustainability perspective. While some pioneering mining-related companies are investigating deeper, game-changing innovations around new energy-efficient technologies and designs, and the use of cogeneration and renewable energy, these efforts remain limited at this stage.

A peer reviewed paper which arose from the study can be found [here](#).

Inequality and Economic Inclusion Pillar—Mapping progress

With financial backing from the German Society for International Cooperation (GIZ), TIPS undertook a pilot study to design and demonstrate an approach for using Geographical Information Systems (GIS) for safety planning and monitoring and evaluation, as part of the Community Work Programme's (CWP) implementation and municipal safety planning. The study was implemented in three CWP sites in West Rand District Municipality: Westonaria, Kagiso and Randfontein.

The CWP, through its contribution to public good and social services and the access to a minimum level of regular work opportunities at grassroots level, is seen as an essential governmental programme that can have an enormous influence on crime and violence prevention, and community safety. This study sought to assess the impact that using GIS systems to map the movements of communities in which CWPs are being implemented has on crime.

GIS mapping is an innovative tool that provides a visual framework for conceptualising, understanding, and prescribing action. Community mapping is a vibrantly visual way of telling a community's story. The value added is created by producing information in real-time that is relevant, readily available and useful.

To this end TIPS designed an innovative process that uses visual digital mapping techniques to indicate the assets and services being created at CWP sites (see www.tipsgis.com).

This links up the CWP output reports and the mapping process in a way that both separates and aggregates the different types of work that are being performed. The same methodology was adopted to understand and visualise community safety challenges and areas where intervention is required.

The study found that using GIS to map community movements is potentially an innovative way of reducing crime levels, but is dependent on significantly more funds being targeted at the endeavour.

DEVELOPMENT DIALOGUE SEMINARS AND CONFERENCES

TIPS regularly hosts development dialogues, conferences and seminars. These allow policy practitioners, economists and individuals to engage in topics pertinent to economic and sustainable development.

In July this year TIPS in partnership with the University of the Witwatersrand and the United Nations University (UNU-WIDER), and in association with **the dti**, National Treasury and the Department of Planning Monitoring and Evaluation, will be hosting its annual Forum with the theme of Regional Industrialisation and Regional Integration. For details of the Forum and the focus of topics go to www.developmentdialogue.co.za.

In November 2014, and again in February 2015, Baba-Tamana Gqubule (TIPS) held presentations on the findings of the Manufacturing Circle Quarterly Bulletin. These findings will be shared and discussed quarterly following an association that TIPS has established with the Manufacturing Circle.

In early October, Saliem Fakir (Head of the Living Planet Unit at the World Wildlife Fund South Africa [WWF-SA]) made a presentation on *Shale Gas Economics For South Africa: How Technology, Finance and Gas Markets are Linked*.

Prior to that Dinga Fatman (TIPS) presented on *Options for Managing Electricity Supply to Aluminium Plants in South Africa*, and Stephane Sequino delivered the annual Alice Amsden Memorial Lecture and gave a paper titled *How Economies Grow: Alice Amsden and the Real World Economics of Late Industrialisation*.

Information about other Development Dialogues can be found on the TIPS website at www.tips.org.za/dd.

In September TIPS's Saul Levin was a co-organiser of the eighth edition of the African Programme on Rethinking Development Economics (APORDE), which took place at the IDC's head office in Sandton. APORDE is an annual two-week training forum, initiated and funded by **the dti**, that describes itself as being "a high-level training programme in development economics, public policymaking, and development strategies aimed at building capacity in the South, particularly in Africa". The intention is to provide participants with training on heterodox approaches to economic development, and to highlight alternatives to the all-too-often dominant neo-classical approaches to economic development. If you are interested in potentially attending APORDE, applications for 2015's intake will open in March.



TIPS's is launching a new Green Economy Strategies and Practices course in March this year

PAST AND UPCOMING COURSES AND WORKSHOPS

TIPS offers a number of courses designed by academics and experts across the globe. These courses aim to develop a critical mass of intellectual capacity, train and sharpen skills and techniques, stimulate debate between policy practitioners and allow individuals in their own capacities to consume knowledge of developmental issues. TIPS will be offering a number of new courses in 2015. Details of upcoming courses can be found at www.tips.org.za.

Green economy strategies and practices

TIPS is particularly excited to announce a new course on Green Economy Strategies and Practices. Among other insights, the course will equip participants to discern between sustainable development and the green economy, and will provide guidance to attendants on how green imperatives can become a driver of sustained economic growth. For more information about the course and to make bookings, please contact Natasha at natasha@tips.org.za.

Macroeconomics for policymakers

TIPS's recent Macroeconomics for Policymakers course was delivered by Professor Seeraj Mohamed, who has more than 20 years' experience working in economic policy research. The course aimed to reconsider and find alternatives to macroeconomic policy, so as to reshape it to support productive investment and improve socio-economic conditions in South Africa.

Computable General Equilibrium (CGE) Modelling — April 13-17, 2015

CGE modelling is one of a number of approaches to economy-wide analysis that have become accessible as data and computer-based techniques have developed. TIPS has (co)presented a series of related short workshops over the past 13 years. The workshop is designed for people who need to use the results of economy-wide models to inform their analysis of real world issues. It integrates theory, real-world data, and hands-on computer work and real-world applications. Contact Rozale at rozale@tips.org.za.

SMALL GRANTS AND INTERNSHIPS

TIPS is involved in developing capacity in the area of research in trade and industry and sustainable development. To this end, the organisation offers small research grants to students at Masters level. This year, Anais Dangeot from University of Mauritius, Andre Botha from North West University and Jack Dryer received grants. Their papers concentrated on Mercosur and SADC; Tourism; and the Durban Dugout Port respectively.

TIPS also offers internships to qualified people to gain professional experience in the economic policy challenges and responses in South Africa and the continent. Internships offer mentorship, training and excellent foundations for well informed and skilled personnel.

Please visit the website for details of former interns from various universities in South Africa and across the globe at www.tips.org.za/internships.



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