



TIPS NEWSLETTER JUNE 2015

This newsletter reports on some of our research projects and provides details of the training, conferences and seminars we have organised and are planning for the year

The upcoming TIPS Forum on 14-15 July is looking to be the highlight of the TIPS calendar. The theme of this year's forum is Regional Integration and Regional Industrialisation, with a number of excellent contributions and papers. We are almost at capacity so if you have not registered already please do so urgently.

The forum reflects a growing area of work for us, namely regional value chains and regional industrialisation.

The past few months have been exciting times at TIPS. We have been involved in both the Electricity War Room and the Mining Phakisa. These projects are critical for the South African economy; and TIPS, among other things, has been providing economic research and project management support. This complements work we are doing for the Department of Trade and Industry (**the dti**), Department of Science and Technology, City of Johannesburg, Department of Public Enterprises, National Treasury (GTAC) and the Department of Performance, Monitoring and Evaluation, among others.

NEW TIPS BOARD

The new TIPS Board of Directors is now fully in place with Garth Strachan (Chair), Fundi Tshazibana, Jorge Maia, Rudi Dicks, Velaphi Msimang, Imraan Patel and Matsietsi Mokholo. We also have a number of new TIPS Members, who are important supporters and contributors to the organisation. In addition to the Board

these members include Shirley Robinson, Nimrod Zalk, Faizel Ismail, Judy Beaumont, Stephen Yeo, Neva Makgetla, Simon Roberts and Roz Thomas. Alan Hirsch recently stepped down from the Board but remains a TIPS member. Alan has been an important contributor to TIPS from the start in 1996 and continues with his support for the organisation.

RESEARCH PROJECTS

Trade and Industrial Policy Pillar Technical Regulations

TIPS conducted a study for **the dti** on the **Strategic Use of Technical Regulations Enforcement and Other Supportive Interventions in Supporting Consumer Protection and Quality Manufacturing**.

One of the key challenges for sustainable industrial development in South Africa is integrating best practice and new technologies into product and process standards, while supporting this integration with relevant measurement capabilities and conformity assessment infrastructure. The study investigated how South Africa can improve the strategic use of its technical infrastructure to lock out substandard and unsafe products by maximising the enforcement of complementary measures such as import controls, consumer protection, and customs and administrative

Trade & Industrial Policy Strategies (TIPS) 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.

Technical Regulations continued

procedures, and through this grow the local manufacture of high-standard, safe products for the domestic economy and for export.

The study discusses policy background, technical landscape, institutional insight, trade-related trends, and international lessons and reflections. It highlighted significant progress with reorienting Technical Infrastructure (TI) towards supporting industrialisation through increased quality manufacturing, and expanded market access. With a wide range of industries emerging, the setting of standards that protect local consumers and increase manufacturing competitiveness needs to be ensured. Mandatory standards and technical regulations can be used to limit (and remove) substandard products from the South African marketplace and create a level playing field for manufacturers of high-quality products, specifically when the products have health, safety and environmental impacts. Voluntary standards and supportive metrology and accreditation support are crucial first steps for industry to upgrade its capabilities.

Recommendations that support specific requirements of the Industrial Policy Action Plan (IPAP) include to develop a methodology that responds to substandard imports; leverage existing tools better; promote mutual development and improved dissemination of standards and compulsory specifications; support expanding the South African National Accreditation System (Sanas) accredited testing capabilities; include technical expertise in trade negotiations; extend market surveillance programmes; and improve linkages with the South African Revenue Services (border enforcement strategy, engagement and permit issuance).

Sustainable Growth Pillar Integrated Resource Plan

The Repositioning electricity planning at the core: An evaluation of South Africa's Integrated Resource Plan study was made possible by funding from the National Economic Development and Labour Council (Nedlac).

Energy and electricity issues in particular have been high on the South African agenda since the 2008 crisis, which saw the country's national power utility Eskom implement load shedding and working with a number of large customers to reduce usage, including mines and smelters. In 2014 South Africa experienced the

most stringent power cuts since 2008, and reviewing the electricity planning process was both timely and significant.

The review was based on an internationally-recognised framework that unpacked the key pillars of the Integrated Resource Plan (IRP) and reviewed South Africa's performance. The objective was to provide a comprehensive overview of the key elements of successful electricity planning and to use this framework to reflect on the country's opportunities and challenges for optimal planning and implementation.

The key pillars are composed of 10 essential elements: 1) planning process; 2) plan objectives; 3) review of previous plans; 4) demand forecast methodology; 5) resource options assessment; 6) policy instruments to achieve objectives; 7) regulatory and institutional frameworks; 8) investment financing; 9) social and environmental considerations; and 10) promotion of innovation and anticipation of emerging challenges.

In South Africa, electricity planning has been spearheaded by the Department of Energy (DoE) since 2009 through the elaboration of the country's own IRP. The Integrated Resource Plan for Electricity 2010, adopted in March 2011 (and promulgated in May 2011), lays out the country's proposed generation fleet for the 2010-2030 period.

The study found that, overall, the South African IRP performs relatively well against the 10-criteria analytical framework, although some clear areas of improvements remain. The institutionalisation of the planning process since 2009, through the IRP, has brought considerable progress to electricity generation planning in South Africa and further ameliorations are expected with the next iterations of the IRP. Regular and timely updates of the IRP are therefore required to harness the full potential of the planning process. More effort and accountability is needed in this respect.

The current electricity crisis stems from a number of factors including inadequate planning in the past; it is therefore positive that the institutionalisation of the IRP process has started to address this shortcoming.

The institutional arrangements around the planning process have indeed been improved under the leadership of the DoE, although much progress is needed to streamline the regulatory and institutional framework of the electricity supply industry.

A key concern that emerged from the study was the project-based approach to planning instead of a broad-based, integrated approach based on longer-term sustainability and vision. This should be resolved with the completion of the Integrated Energy Plan (IEP) in the near future. Another concern was that the IRP is also tasked with too many conflicting objectives and therefore fails to contribute meaningfully on several fronts. The priority of the IRP rightfully remains security of supply, although implementation problems have compromised this.

Going forward, ongoing efforts to improve the design of the IRP are needed, notably its regular and timely update. Ensuring that the IRP appropriately introduces the most recent and efficient technologies in line with

the country's economic, social and environmental objectives should be one of the priorities. In addition, further integration with other national policies and strategies, and particularly the IEP and other energy-related plans, should be prioritised. Further work is required to conceptualise and establish the optimal policy and institutional arrangements and link the IRP exercise to an effective implementation plan as well as a monitoring and evaluation system.

Institutional and regulatory arrangements hampering the implementation of the IRP, notably in the short term, must be addressed as a matter of urgency. Only then will electricity planning be able to meaningfully contribute to the sustainable development of South Africa.

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.

DEVELOPMENT DIALOGUE SEMINARS

In the first quarter of the year the following dialogues were held:

TIPS Assistant Programme Manager Sithembiso Mtanga explored the role of Bilateral Investment Treaties (BITs) in Investment Promotion for South Africa and the rest of the world. Global trends have indicated a decline in the ratification of new BITs with a number of countries (including South Africa) reviewing and cancelling treaties that have been in place for decades.

Baba-Tamana Gqubule (TIPS economist) held presentations on the findings of the Manufacturing Circle Quarterly Bulletin. TIPS has established an association with the Manufacturing Circle to support the quarterly bulletin and to share the findings of the survey.

TIPS in collaboration with Economies of Regions Learning Network (ERLN) saw Jamie Simpson present on Linking Back of Port Operations to City Development Plans and Supporting the Growth of the Marine Engineering Sector .

For copies of presentations and information about other seminars go to [Development Dialogues](#).

CONFERENCES

ANNUAL FORUM: REGIONAL INDUSTRIALISATION AND REGIONAL INTEGRATION 14 – 15 JULY 2015

TIPS in partnership with the University of the Witwatersrand, the United Nations University World Institute for Development Economics Research (UNU-WIDER) and the USAID Southern Africa Trade Hub Program, and in association with **the dti**, National Treasury and the Department of Performance Monitoring and Evaluation, will be hosting its annual Forum with the theme of Regional Industrialisation and Regional Integration. The conference aims to deepen understanding of regional industrialisation, the role of South Africa in that context, the value chains operating across the region, and the links between regional industrialisation and regional integration. For more information go to www.developmentdialogue.co.za.

APORDE

During the ninth edition of the African Programme on Rethinking Development Economics (APORDE), to be held in Johannesburg from 31 August to 11 September 2015, a number of evening seminars and parallel events will be held. These sessions will be open to the public to attend. TIPS will send out details for these sessions closer to the time.

Inequality and Economic Inclusion Pillar – Migrant labour

In collaboration with the Department of Performance Monitoring and Evaluation (DPME), TIPS undertook a study on **Migrancy and Mining in the North West Province**. In 2012 and 2014, the platinum mines of the North West saw prolonged strikes, at a high cost to both workers and employers. Yet miners earned around twice the median wage of other formal workers. Workplace conflict was thus rooted, not only in pay, but also in the unusually poor living and working conditions for most miners.

Using methodologies that incorporated interviews, focus groups and extensive desk research, the study first investigated the persistence of migrant labour and then looked at factors contributing to the poor conditions of mineworkers. It was found that from 2001 to 2011, employment on the platinum mines climbed from 100 000 to 200 000. Total mining employment in the North West rose from 125 000 to 179 000. The available evidence suggested that between a third and half of the workers came from the traditional labour-sending areas of the Eastern Cape and, to a lesser extent, Lesotho and Mozambique. Most of the other miners were from the North West. Various factors explained the persistence of migrant labour. Above all, it persisted due to the combination of the historic impoverishment of former so-called “homelands”, which hold about a third of the population. In these circumstances, workers felt they had no choice but to leave their families behind when they found work in the mining areas, even after the elimination of apartheid residential laws.

Only around 20% of working-age adults in the former “homelands” had employment in 2014, compared to almost 50% in the rest of the country. Families were much more likely to depend primarily on social grants and remittances than in the rest of the country. Household incomes were correspondingly lower in the former “homelands” than in the rest of the country. In these circumstances, out-migration remained a way of life in many labour-sending areas. In 2011 working-age men made up just 26% of the population in the former “homelands”, compared to 32% overall.

A key issue emerging is that the historically relatively rural districts of Rustenburg and Madibeng found it particularly difficult to accommodate the influx of miners. The study explored the poor conditions in



Strikes on the platinum mines came at a high cost to both workers and employers and highlighted the persistent problems of the migrant labour system

informal settlements where miners lived and the shortage of social facilities available to mineworkers. Workplace issues included the racial tension that still persisted as well as the deep inequalities between managers and ordinary workers. Further the study looked at healthcare as a source of stress as miners suffered from both occupational diseases from mining and the effects of separation from their families and poor housing. But they could not count on adequate healthcare if they left employment and compensation for occupational diseases was often both hard to access and lower than for other jobs.

Key policy implications centred around the need to build communities in the mining areas (and all that comes with building a community) rather than just a narrow focus on provision of housing; and that resources to upgrade settlements in the platinum belt should also be found from the national budget as well as employers. Other policy recommendations looked at workplace dynamics including a need to reconceptualise the shift system so that miners who do not come from the platinum belt are able to spend meaningful amounts of time in their places of origin if they so choose. In terms of the labour-sending areas, as far as possible economic opportunities should be expanded, without creating unrealistic expectations. The fast-growing cities need to plan for continued rapid in-migration, with improved support from national and provincial governments. Higher employment overall, especially for women, is critical for ending oscillating migrant labour.

Finally, transforming the workplace requires a conscious and collective effort to transform apartheid work organisation and supervisory norms.

PAST AND UPCOMING COURSES AND WORKSHOPS

TIPS offers a number of Training Workshops that focus on understanding economic development and industrial policy. These workshops are designed and run by experienced academics or experts in their field.

Themes include value chains, macroeconomics, microeconomics, the green economy, introduction to industrial policy, research methods, and computable general equilibrium (CGE) modelling.

Details of the upcoming courses can be found at www.tips.org.za.

Computable General Equilibrium (CGE) Modelling

TIPS recently delivered a CGE modelling workshop designed specifically for people who need to use the results of economy-wide models to inform their analysis of real world issues. The workshop leaders, Dirk van Seventer and Rob Davies, integrated theory, real world data, hands-on computer work and real-world applications. The models were set-up to run through an Excel interface, with the specialised modelling language (GAMS) running in the background. Participants applied what they learnt to a group mini-project presented at the end of the workshop. These and related workshops have been run over the past 15 years.

The next workshop on Introduction to Computable General Equilibrium Modelling, as well as CGE with GAMS, will be held in Pretoria during November 2015. For more information go to [Introduction to Computable General Equilibrium \(CGE\) Modelling with GAMS](#).

Microeconomics for Non Economists

This workshop is run by Sandy Lowitt, TIPS Research Associate and Lecturer at GIBS.

The two-day workshop on Microeconomics for Non Economists was designed for public sector officials

whose jobs require them to interact with, and/or influence the enabling environment within which private sector firms operate.

It assisted officials who have no formal economics training to understand in a theoretically rigorous manner how a modern economy operates and functions; how markets operate and grow; and how firms make investment, output and employment decisions.

The next workshop will be run in September. For more information about the course contact Rozale Sewduth at rozale@tips.org.za.

Value Chains

The Value Chains workshop was facilitated by Professor Mike Morris of the University of Cape Town, and Justin Barnes of Benchmarking and Manufacturing Analysts, each of whom has extensive experience of policy development and implementation in a range of sectors.

The function of this workshop was to build research and policy capabilities in the South African government to better understand the dynamics of value chains, and in so doing to contribute to employment growth and productivity enhancement. The workshop was interactive and combined formal presentations with the participation of government officials.

Further workshops will be held later in 2015. For details contact Rozale Sewduth at rozale@tips.org.za.

INTERNSHIPS

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.

TIPS will be recruiting a new intern in the coming quarter. See www.tips.org.za/internships for more information.



TRADE & INDUSTRIAL POLICY STRATEGIES

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