

TIPS

TRADE & INDUSTRIAL POLICY STRATEGIES



ANNUAL REPORT **2006**

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ANNUAL REPORT 2006

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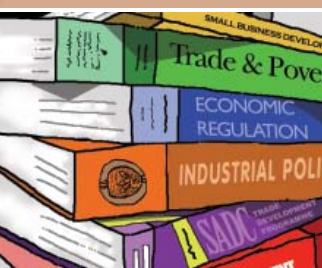
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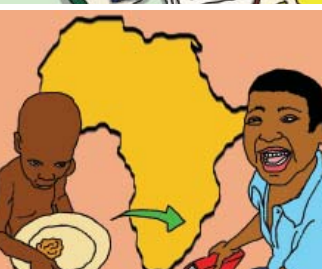
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Executive director's overview



Stephen Hanival

Executive Director

Trade and Industrial Policy Strategies (TIPS) is a Section 21, not-for-profit Company which is active in the economic policy arena and co-ordinates a network of researchers throughout South Africa and parts of southern Africa.

It particularly focuses on producing, stimulating and aggregating policy-relevant, applied economic research around trade and industrial policy, small enterprise development and the economic regulation of key service sectors. TIPS was established in 1996 as a project within the Canadian International Development Research Centre's (IDRC's) Johannesburg Office. TIPS became an independent company in 2001.

In financial year 2006, TIPS co-ordinated a review of five key service sectors with a view to better understanding their development dynamics and growth potential. These studies, funded by the British High Commission, were also intended to assist South Africa's Department of Trade and Industry (**the dti**) in its General Agreement on Trade in Services (GATS) negotiations at the World Trade Organisation (WTO).

TIPS' Southern African Trade Development programme, funded by the Australian Agency for International Development (AusAID), accelerated implementation in 2006 with, in particular, the capacity-building and Southern African Trade Database programmes performing exceptionally well. In the space of a mere two years, our capacity-building programme resulted in 300 researchers and policy analysts across the Southern African Development Community (SADC) being trained in basic trade analysis techniques.

The web-based Southern African Trade Database, which contains trade data for all SADC countries except Angola and the Democratic Republic of Congo (DRC), peaked at 1,000 visits in November and for the year as a whole, 5,900 visits were recorded. The Southern African Trade Database is now the premier source of Southern African trade data, with regular users spanning the globe and the SADC Secretariat's Economic Partnership Agreement (EPA) team particularly supportive of its further development and refinement.

Towards the end of 2006, TIPS was invited to submit a proposal to the IDRC for the establishment of a policy and research network spanning Southern Africa. In developing its proposal, TIPS undertook a needs assessment in a sample of SADC countries. We are pleased to report that the IDRC has awarded TIPS the contract to implement a SADC-wide policy support and research facilitation network – the Southern African Development Research Network (SADRN). This important initiative – with a mandate spanning development research in the broadest sense – will facilitate research, build policy capabilities within government departments and build the institutional capacities of partner institutions.

Coinciding with a substantial increase in the workload of TIPS researchers, we fundamentally redeveloped the TIPS website and our regular publications in 2006. Aesthetically, the TIPS website



now has a more modern 'feel' with new features such as full search, subscription, user tracking and 'ticker-tape' newflashes. However, the underlying structure has also been altered radically to make it easier to search for information, to provide for more frequent updates and to allow greater control over content and updating within the organisation. Moreover, the provision of 'resource pages' such as the Southern Africa Trade & Poverty Programme webpage allows for researchers working in a particular field to access in-house and external literature, news briefs, methodological tools, useful links and data effortlessly.

In preparing to host a monthly seminar series with government-wide reach, TIPS piloted the idea with a number of seminars and workshops during the course of the year. Although not completely successful, sufficient support was expressed by participants to convince us to pursue this idea fully in 2007. This will coincide with TIPS' relocation to larger offices with a large seminar room, training facility and resource centre.

TIPS and the Development Policy Research Unit (DPRU) again joined forces in 2006 to host the Annual Forum on Accelerated and Shared Growth in South Africa. Tshediso Matona (Director-General: **the dti**), Guillermo de la Dehesa (chairman: Centre for Economic Policy Research, London), Tony Venables (chief economist: UK Department for International Economics and professor of international economics: London School of Economics) and Joel Netshitenzhe (head: Policy Co-ordination and Advisory Services in The Presidency) were the keynote speakers. They sparked significant debate amongst participants with respect to how best to ensure that South Africa's current growth trajectory's benefits would be equitably spread.

TIPS wishes to extend its sincerest gratitude to its donors – the Canadian IDRC, AusAID, the British High Commission in South Africa, and the Department for International Development, UK (DFID). Without their generous contributions, the work of TIPS would be significantly curtailed.

Finally, I would like to take this opportunity to thank the TIPS staff, research partners, Members and Directors, and in particular the Chair of the Board, Alan Hirsch, for their invaluable support and interest.

Stephen Hanival – Executive Director

10 September 2007



INTRODUCTION

01

TIPS introduction

TIPS is an independent, non-profit economic research institution active in South Africa and the Southern African region in pursuit of viable economic policy solutions to developing country needs.



Profile

Vision

- ▶ To be a source of independent economic policy and research leadership to government and civil society in South Africa and the region.

Mission

- ▶ Develop an internal critical mass of intellectual capacity to undertake and disseminate leading-edge and relevant economic research.
- ▶ Stimulate debate between policy practitioners and the wider research community to generate viable policy options.
- ▶ Build on our links with key international policy-relevant institutions to draw the quality of our research efforts ever closer to international best practice.

Mandate and objectives

Established at the request of senior policy-makers of the new Government in 1996, TIPS is an independent, non-profit economic research institution. The organisation initially operated as a project within the IDRC's Johannesburg Office, and became a Section 21 Company in 2001.

We are active in both the South African and Southern African economic policy arenas and coordinate a wide network of established researchers. Our aim is to remain responsive to the local policy environment, government and other clients' research and information needs; to deliver high-quality, policy-relevant research; and to maintain an overt and strong interest in public policy in the areas associated with developing country economic policy.

Areas of activity

TIPS undertakes research for a broad range of government departments, non-profit organisations and regional bodies:

- | | |
|-------------------------------------|------------------------------------|
| ▶ The Presidency | ▶ Western Cape Provincial Treasury |
| ▶ Department of Trade and Industry | ▶ Department of Agriculture |
| ▶ Department of Transport | ▶ Department of Public Enterprises |
| ▶ Department of Minerals and Energy | ▶ COSATU |
| ▶ SADC Secretariat | ▶ SACU Secretariat |

Partner organisations

TIPS engages with key local, regional and international policy-relevant research and academic institutions to produce and disseminate world-class research and influence economic policy in a constructive manner, including:

- | | |
|--|------------------------------|
| ▶ World Bank | ▶ International Trade Centre |
| ▶ Trade Law Centre for Southern Africa | ▶ UNU-WIDER |
| ▶ Development Policy Research Unit | ▶ Cornell University |
| ▶ South African Institute of International Affairs | ▶ The ComMark Trust |
| ▶ Institute of Development Studies, University of Sussex | |
| ▶ Universities of the Witwatersrand, Cape Town, Pretoria, KwaZulu-Natal and Stellenbosch | |













Organisational structure

TIPS staff

TIPS has grown into an organisation of 11 full-time staff members and a part-time Financial Manager. Of these 12 staff members:

- ▶ Six are economists;
- ▶ Three are technical staff – the IT Manager, Information Manager and Financial Manager; and
- ▶ Three are administrative support staff.

	Stephen Hanival <i>Executive Director</i>		Lucille Gavera <i>Publications and Information Manager</i>
	Owen Willcox <i>Trade Programme Manager</i>		Matthew de Gale <i>Website Manager</i>
	Mmatlou Kalaba <i>Senior Economist</i>		Ian Juskiewicz <i>Financial Manager</i>
	Landon McMillan <i>Trade Economist</i>		Amanda Ryland <i>Assistant Accountant</i>
	Alison Goldstuck <i>Economist</i>		Pamela Moloto <i>Office Manager</i>
	Marlon Dasarath <i>Economist</i>		Emily Sindane <i>Office Assistant and Maintenance</i>

This is a significantly different structure to that of TIPS in 2004 when only two of the then eight full-time staff members were researchers. Much of the additional capacity is thus research-oriented, reflecting the growing need for in-house economists to work on both contract research and programme research such as the AusAID-funded Southern African Trade Development Programme.

Notwithstanding the shift in organisational priorities, TIPS continued to provide many public good-related services in 2006. The support staff complement manages TIPS' public-good activities, such as training courses and workshops, as well as our continued focus on regular, policy-oriented publications and the provision of a substantial website with access to a range of economic data and our online research paper archives.



2007 will see a further number of Research Fellows and economists join the organisation, in particular to manage our Academic Data Access & Training, Economic Regulation and SADRN programmes of work.

Staff training

TIPS encourages and supports its staff members to pursue further academic study. In 2006, a number of individuals used this opportunity, with senior economist Mmatlou Kalaba enrolling for a doctorate in economics. Kalaba's areas of work at TIPS, especially his training, capacity-building and trade data collation activities as part of TIPS's AusAID-funded Southern African Trade Development Programme, complement his field of study particularly well. His PhD thesis focuses on the welfare effects associated with trade integration in Southern and Eastern Africa.

In addition, two of the economists who will join TIPS in 2007 are completing a Masters degree in International Political Economy and an Honours degree in Economics, respectively. Assistant accountant Amanda Ryland is studying towards a Bachelor's Degree of Commerce (Management).

TIPS advisory board

The Advisory Board provides strategic input on TIPS' research activities, meets once a year and is composed of the Directors and Members of the TIPS Board plus four internationally regarded researchers, research managers and policy practitioners.









Rohinton Medhora	<i>IDRC, Canada</i>
Bernard Hoekman	<i>World Bank</i>
Albert Berry	<i>University of Toronto, Canada</i>
Marc Ivaldi	<i>Université des Sciences Sociales de Toulouse, France</i>



Organisational structure

TIPS board

TIPS' activities are directed by a Board of Directors and Members who are drawn from government, academia and civil society to provide strategic oversight of its activities. The Directors meet every quarter to review the financial performance of the organisation. They also assess the financial resources available to the organisation in relation to TIPS' strategic priorities and may recommend realignment of activities to suit the resources available or vice versa.

	Alan Hirsch (Chair)	<i>The Presidency</i>
	Lael Bethlehem	<i>Johannesburg Development Agency</i>
	Leslie Maasdorp	<i>Yard Capital</i>
	Merle Holden	<i>University of KwaZulu-Natal</i>
	Rashad Cassim	<i>Statistics South Africa</i>
	Stephen Hanival	<i>Trade & Industrial Policy Strategies</i>
	Stephen Yeo	<i>Centre for Economic Policy Research</i>
	Tshediso Matona	<i>Department of Trade and Industry</i>



TIPS

TRADE & INDUSTRIAL POLICY STRATEGIES

TIPS is an independent, non-profit economic research institution active in South Africa and the Southern African region in pursuit of viable economic policy solutions to developing country needs.



CREST catalyses economic research with a sectoral focus and aims to improve the flow of information between policy and academic communities.



TIPS' regional policy and research network aims to increase the supply of policy-relevant research in the region by creating a pool of suitably skilled researchers based in SADC institutions, and to strengthen evidence-based policy-making by engaging policy-makers in the implementation of research projects on industrial policy, sector development and trade policy and its linkages to pro-poor growth.



ADAT provides post-graduate students with access to economic data not readily available to Universities, hosts capacity-building training courses and provides small research grants to researchers undertaking policy-oriented studies in TIPS' programme areas.



Through our partnership with AusAID we conduct research projects on trade reform in Southern Africa, develop research infrastructure and host capacity-building activities to address the relatively low levels of analytical capacity in the region. Visit our SADC Trade Database at www.sadctrade.org.



The SATPP provides assistance in a wide range of activities to help South Africa formulate, negotiate and implement pro-poor trade policies.



Our flagship journal covers the full spectrum of economic research, from macroeconomic to competition and regulation policy, 'development' issues in general, as well as sub-national economic policy issues to provide policy-makers and analysts with an accessible source of topical policy-relevant research.



indigenous growth

www.tips.org.za



RESEARCH

02

TIPS research

Research programmes in 2006

TIPS clusters its research activities around four thematic areas or Research Programmes:

- ▶ Trade analysis
- ▶ Small, medium and micro enterprise (SMME) development
- ▶ Sector analysis
- ▶ Economic regulation of public sector reform.



Research

We believe these areas are of direct relevance to other developing countries in the region and we would want our increased activity in the region to flow from a substantial and stable research base in South Africa. Our projects are a healthy mix of applied and 'over the horizon' proactive strategic research, implemented in close partnership with key stakeholders to ensure buy-in and capacity-building, and include the following services:

- ▶ Conceptualisation and design of projects
- ▶ Management and implementation of projects and programmes
- ▶ Economic and econometric research and analysis
- ▶ Training and capacity development
- ▶ Dissemination of findings via online data hosting, interactive web reports, and print and online publications.

Trade analysis

This programme has been the core focus of TIPS since its inception. Trade analysis at TIPS has evolved from ad hoc pieces of research into an effective support mechanism for **the dti's** current bilateral, multilateral and tariff reform deliberations. Activities are generally undertaken exclusively for **the dti** and often funded on request by donors, with the understanding that components of the analysis can be shared as a public good via the TIPS website.

In the medium term, TIPS' trade analysis research programme includes the following components:

Trade and tariff analysis

This component of support is focused on continuing to assist **the dti** and civil society to assess the impact of new and existing trade preference agreements, including FTAs, bilateral trade agreements and unilateral trade liberalisation/tariff simplification. A key component of TIPS' research in this field is the application of the latest methodologies to South African data for household economic impact assessments. During 2005 and 2006, one of TIPS' long-standing research associates, James Thurlow, developed a Computerised General Equilibrium (CGE) model which will allow bi- and multilateral trade agreements to be assessed for their poverty impact at household level. As with much of the work TIPS co-ordinates, the development of the model has been funded as a 'public good' and will be made available on the TIPS website, allowing other researchers to draw on the organisation's work and extend the analysis and methodological innovations even further.

Trade promotion

TIPS subscribes to the Geneva-based International Trade Centre's TradeMap and ProductMap facilities, valuable tools in export promotion as it tracks trade trends across a large number of countries and detailed products, as well as market studies and price indicators for 73 product clusters. However, at present, government officials do not exploit the resources of TradeMap and ProductMap particularly well. A key focus of TIPS is therefore to make these databases more accessible by packaging sector-focused reports for direct use in a policy-practitioner manner for government.



Research

Trade and poverty



The South Africa Trade and Poverty Programme was envisaged to provide fast-track capacity support to government and particularly **the dti**, initially to assist with the Cancún Round of WTO negotiations while a design mission was being assembled to develop a more substantial programme of support.

Immediate areas of assistance were on industrial tariffs and intellectual property rights. The SATPP also provided assistance in a wider range of activities to help South Africa formulate, negotiate and implement pro-poor trade policies. This broader support included assistance to the private sector and civil society as well as to government, and covered the following activities:

- ▶ Stakeholder seminars
- ▶ Research and studies
- ▶ Assistance with institutional development within **the dti**
- ▶ Capacity-building in a range of trade policy-related areas
- ▶ Assistance to the South African mission in Geneva.

Southern African trade development

As one of AusAID's local, South Africa-based partners for its African Governance Facility Programme, TIPS in 2006 carried out a number of research projects on trade reform and liberalisation in Southern Africa, and undertook various research capacity-building activities in the region. A substantial portion of TIPS' activities for this programme is focused on developing research infrastructure. In this regard, the Southern African Trade Database project has been extremely successful. TIPS has established and maintains an online, readily accessible trade database populated with trade (and in future, tariff) data which TIPS collects on an ongoing basis from the SADC Member States.



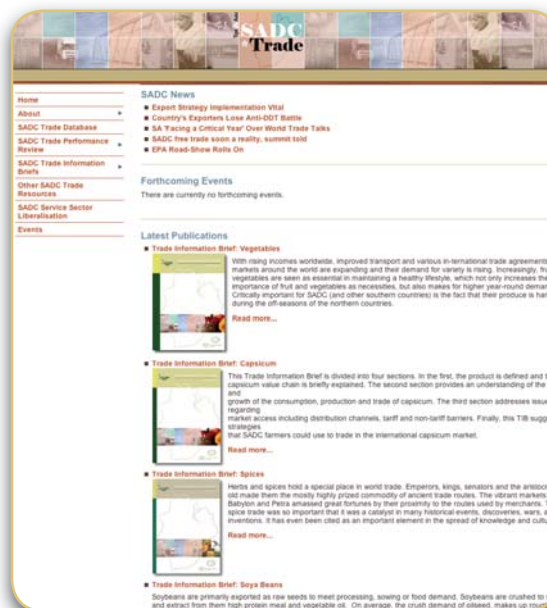
The database can be accessed by any interested researcher and is underpinned by analytical templates, developed by TIPS to enable researchers to calculate key trade policy-related ratios and coefficients automatically by simply pushing a button. Therefore, relatively inexperienced researchers who are unsure which calculations to carry out and how to perform them now have the ability to do research using the data compiled into the relevant templates. Linked to this issue, to address the relatively low levels of analytical capacity in countries in the region, TIPS hosted capacity-building workshops and data training courses on an almost monthly basis during 2006, eliciting extremely positive responses from the region. The Southern African Trade Database can be accessed at www.sadctrade.org.

To contribute to regional policy analysis and strategy development, TIPS also publishes an annual Intra-SADC Trade Performance Review which highlights the intra-SADC structure and patterns of trade for Member States. Based on the SADC trade data collected by TIPS, analytical techniques are available to researchers involved in compiling these 'reference books' that have not been applied to SADC previously – partly because the data have not been suitably 'structured' before.



A further project under this programme umbrella is the development of a Regional Trade Information Service, which provides policy-makers and the private sector with export intelligence regarding the potential of SADC's current export 'basket' as well as the region's potential export basket of goods and services in the form of electronic and hardcopy Trade Information Briefs.

Implicit in many of the SADC trade development activities is a commitment to identifying policy choices which are pro-poor, pro-growth, or ideally, both. The development of Social Accounting Matrices (SAMs) for selected countries in the region has allowed TIPS to focus particular attention on the links between trade and poverty. The SAMs provide policy-makers with a simple modelling framework for assessing the impact of various policy options on their economies and especially poverty indicators.



Trade in services

During 2006, TIPS organised a number of workshops with researchers and the business community to discuss both the methodological and policy issues arising from South Africa's GATS Offer. Flowing from these workshops, a substantial regulatory review of the South African services sector was commissioned. A British High Commission-funded survey was constructed to serve as the first phase of a longitudinal study and was also used as a pilot to assist us in assessing the potential pitfalls to expanding the study to include manufacturing sectors. Five priority service sectors were analysed – distribution services, communication services, health services, financial services and transport services – to better understand their potential role in alleviating poverty and supporting economic growth in South Africa. Two workshops on the survey's outcomes will be held in the first quarter of 2007 – a research workshop to ensure the study's output is peer reviewed and a policy workshop to disseminate the research to key stakeholders.

SMME development



As part of a TIPS-co-ordinated programme of research on SMMEs, the research theme of sectoral studies on SMMEs was prioritised. Overall, the goals of this research programme are to enhance the contribution of SMMEs to achieving national government objectives for job creation, entrepreneurship development, economic empowerment and poverty alleviation, and to provide research that offers policy recommendations to local, provincial and national governments concerning SMME development.



Research

Sectoral studies on SMMEs

The application of policy and support programmes and frameworks often fails to address the question of sectoral specificity. This project interrogates specific sectoral issues concerning the growth and/or survival of SMMEs. The core premise of the project is the imperative to unpack the different segments of the SMME economy and to undertake a major programme of sectoral research on the SMME economy.



Industrial policy

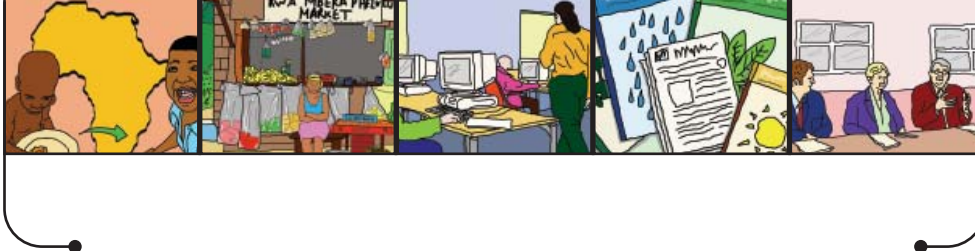
An abiding concern of both policy-makers and the broader research community has been the lack of, or constrained, access to industrial policy-related research and literature. TIPS has addressed this by developing an online, searchable library of industrial policy-related research papers and publications, accessible on our website at www.tips.org.za. To comply with copyright legislation, the bibliography itself and an abstract for each paper are readily accessible; however, access to the full papers are restricted to registered users who can contact TIPS to request a printed or electronic copy of particular papers of interest.

Sector analysis

During 2006, TIPS undertook substantial sector-specific research in line with the increased emphasis within government circles on sector strategy development and its link to industrial policy.

Sector strategy development

the dti commissioned TIPS to undertake a project on trends and forecasts in key sectors of the economy in the context of the Accelerated and Shared Growth Initiative for South Africa (ASGISA) – a strategy aimed at accelerating economic growth, raising employment and reducing poverty. The aim of the study was to further the ‘process of discovery’ essential to designing, implementing and adjusting targeted interventions to open bottlenecks and unlock the growth and employment potential in the identified sectors.



Special emphasis was placed on five ASGISA sectors – Primary Agriculture, Agro-processing, Biofuels, Arts & Craft and Film & TV – with in-depth quantitative and qualitative analyses of both historical and forecasted future trends provided.



Economic regulation

Economic regulation is rising in importance as an issue of concern to government policy-makers, with prominence being given to effective State-Owned Enterprise (SOE) restructuring through managed liberalisation and stronger regulation in the application of competition policy.

Also, international experience with the performance of restructured industries in developed and developing economies has reinforced the importance of concurrent development of economic regulation and competition to generate the outcomes policy-makers aim to achieve when embarking on major reforms.

In particular, competition and regulation are critical to generate the welfare effects of reform. TIPS' core research theme in the area of economic regulation has focussed on public transport, with particular reference to freight rail restructuring and public rail reform initiatives. This research programme will gain increased momentum in 2007 with the appointment of a specialist in this field and will mainly address utility regulation (energy, telecoms, gas and water). In particular, research will be carried out to establish the nature and consequences of economic regulation at national, local (provincial and municipal) and international levels. In addition, TIPS will focus on the development of a capacity-building programme with the aim of improving capacity in economic regulation across a spectrum of stakeholders. Training to improve capacity is crucial, since a lack of capacity threatens regulatory independence and also the credibility of policies which might impact negatively on potential investment and the long-term development of the sectors involved. However, in order to develop this research programme, TIPS will need buy-in from stakeholders and will focus on areas and research gaps that will assist policy-makers.



Research



Future research activities: 2007-2009

In the course of reviewing the impact of our activities, we have started to consider the possibility that our focus on programmes of work may have led TIPS to think about its research in terms of somewhat isolated themes rather than as dynamic means to an end. As a result, TIPS in 2006 decided to broaden its thematic areas in a functional sense as well as introducing three cross-cutting activities which we believe will assist in integrating the work of TIPS more effectively.

Our research themes in the medium term will include:

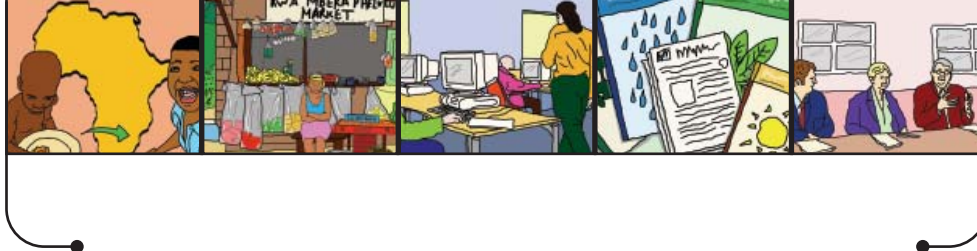
- ▶ Trade analysis (tariff and trade analysis, trade promotion, trade in services, trade and poverty, and Southern African trade development)
- ▶ Sector analysis (sector strategy development, including service sectors, and industrial policy)
- ▶ Economic regulation of public sector reform.

TIPS' cross-cutting themes in the medium term will include:

- ▶ Economic modelling
- ▶ Capacity-building
- ▶ Academic data access and training.

Trade analysis

Up to now, South Africa's bilateral, multilateral and unilateral trade reform deliberations have been largely premised on the grounds that trade liberalisation is an essential requirement for improved economic growth. However, a significant body of evidence is accumulating which suggests that trade liberalisation is not intrinsically growth enhancing. Nor is trade liberalisation necessarily poverty reducing. Be that as it may, for a relatively small developing country such as South Africa, trade policy is an important tool in our policy-makers' arsenal. In the first place, South Africa is prone to Balance of Payments (BoP) imbalances and secondly, the economy has limited employment creation (low skill) potential except for manufacturing.



Our interest in these issues stems from their impact on South Africa's trade account. At present a significant deficit (up to 5% of GDP) is maintained by significant inflows of 'hot' portfolio capital. This is not of itself a concern, but the risk of emerging market sentiment changing and portfolio investment flowing out of South Africa's financial markets could have deleterious effects on the exchange rate, potentially resulting in inflation spikes – and we know from local research that the poor are disproportionately negatively affected by sudden inflation rises.

This leads us to question South Africa's export and investment performance. Both have been poor in recent years and do not compare well with other developing countries' performance. In particular, recent research by TIPS suggests that South Africa's trade policy has been largely ineffective in changing either the pattern or flow of trade. Trade flows remain dominated by resource-intensive products, export destinations remain concentrated in developed economies and our presence in internationally traded dynamic products is low and declining.

The implications of this are concerning. South Africa's resource exports are supply constrained, and as most of South Africa's exports go to developed countries, the potential for significant increases in demand – even in manufactured goods – is likely to be low. In addition, a substantial public infrastructure investment drive by the South African Government is expected to be import-intensive, and the outlook for the current account is therefore rather bleak. The risk of South Africa facing a BoP constraint when the economy reaches a growth rate of 6% or above is therefore looking increasingly likely and could significantly compromise the expected much-improved growth performance.

With respect to employment creation potential, the debate on the importance of manufactured exports as a source of employment in South Africa was recently reignited. Rodrik, for example, argues persuasively that manufactured exports offer the best (perhaps only) realistic opportunity for South Africa to create relatively low-skilled jobs in the volumes required to impact on South Africa's 40% unemployment rate.

The net result of these debates is that an export-oriented industrialisation strategy is once again being suggested for South Africa.

With this in mind, TIPS will address a number of research questions, including investigating the processes and institutional structures which have led other countries to produce successful trade policy, whether there is 'space' for South Africa to produce labour-intensive goods given China and India's recent rise in global markets, which goods South Africa should be targeting, and why South Africa has performed so poorly in the production of labour-intensive goods. Further research areas will involve an investigation of the barriers to exporting within South Africa, whether beneficiation is a desirable long-term strategy, whether South Africa's host of trans-national corporations can be a tool in development, and what role the SADC market for goods and services could play in preparing local companies for exporting to industrialised countries.



Research

Real economy study



Up to now our sector work has been funded on a project-by-project basis by **the dti**. What concerns us in this area is that little long-term capacity is being built and human capacity remains constrained in many government departments. Coupled with high rates of staff

turnover, this is a source of significant risk to government's economic policy agenda. Moreover, the movement of experienced and highly skilled 'new government' officials to the private sector is not being adequately addressed by the placement of graduates. There are at least two reasons for this. First, (economics) graduates from both historically white and black universities are generally not grounded in development thinking, and as Economics Degrees have become more and more focused on quantitative skills, their capacity to analyse trends in data-poor environments such as South Africa's and develop policy interventions is relatively under-developed.

Secondly, the career prospects for graduates with an interest in trade and industrial policy is relatively poor. Apart from **the dti** and the Industrial Development Corporation (IDC) to some extent, there is no clear career path evident to most students. In order to develop the pool of young researchers and potential policy analysts/policy-makers, it is essential to provide a more distinct career path. At the same time, for graduates already in government the need to develop expertise and enhance their knowledge of industrial development issues is significant.

Sustainable capacity-building

TIPS will therefore develop a bi-annual short course, involving:

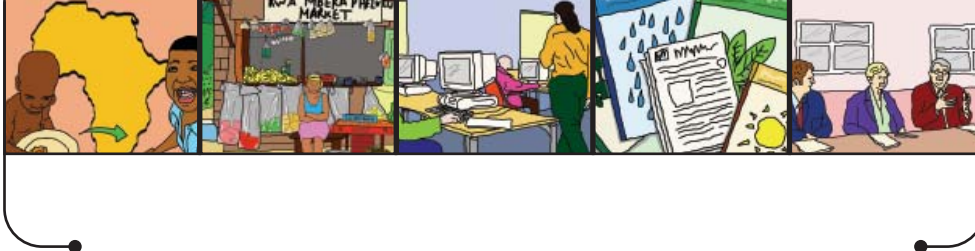
- ▶ Participants from all economic ministries and not just **the dti** to sensitise ministries such as Treasury, Communications and Minerals & Energy to industrial development issues which are not always their priority focus areas.
- ▶ Participants from provincial and local government where capacity remains highly uneven even while key policy levers are increasingly located at provincial and local level.
- ▶ Bursaries to post-graduate economics students to increase the pool of economists with an industrial development interest and provide recruitment opportunities for government departments.

The programme will consist of a combination of lecture and seminar sessions with group and individual study, focusing on a number of key theory themes and practical issues, such as the theory of industrial development and industrial development in practice, growth-path case studies, and research methodologies, tools and data sources.

Convening of a development dialogue series

A second weakness in the industrial policy/sector strategy arena is the lack of convergence of government thinking, and policy consistency between national government departments.

Apart from annual conferences such as the TIPS/DPRU Forum and the Economic Society's biennial conference, only occasional ad hoc interactions take place at present. Moreover, amongst policy-makers, the interactions that do occur are often in settings where departmental positions need to be defended.



TIPS therefore envisages implementing a monthly dialogue series with a ‘development’ focus. Participants would be drawn from government and the research community, with the number of attendees limited so as to encourage frank and robust exchanges of views and international speakers drawn in to raise the profile of the series and the quality of debate.

We believe that convening such a series will have the effect of ensuring alignment (at least in terms of thinking) between government departments and may in the medium term lead to a degree of consensus in policy and research circles on the type of industrial policies and programmes that work and how to ensure greater policy consistency across Departments. However, in the absence of improved data on both the manufacturing and services sectors, such a dialogue will have little basis to it.



Real economy panel study

In the course of 2006, TIPS undertook a survey of five service sectors as defined by the GATS (for more detail, see the ‘Trade in services’ section on page 15). The survey was constructed to serve as the first phase of a longitudinal study and was also used as a pilot to assist us in assessing the potential pitfalls to expanding the study to include manufacturing sectors. Although the study was successfully completed, the response rates were relatively low. Nonetheless, TIPS envisages expanding the survey to include key manufacturing sectors.

The kinds of questions we would want to answer through such a survey are of two types. At an analytical level we would wish to know what impact the level and volatility of the South African currency has had on operations; to what extent government’s significant public investment programme has alleviated infrastructure constraints; the impact of HIV and Aids in the workplace; and the impediments to non-exporters becoming exporters and exporters exponentially growing their exports.

At a more programmatic level we would investigate the extent to which government incentives are known to entrepreneurs; the short-, medium- and long-term effects of accessing these incentives; the existence of other constraints to growth and employment creation, which could be addressed through new incentives; and whether the physical location of an enterprise influences how entrepreneurs experience government department effectiveness.



Research

These are only some of the research questions that could be answered through the construction of a long-term panel survey, but they serve to combine both the analytical and programmatic information deficits currently experienced in **the dti** and its provincial counterpart Departments.

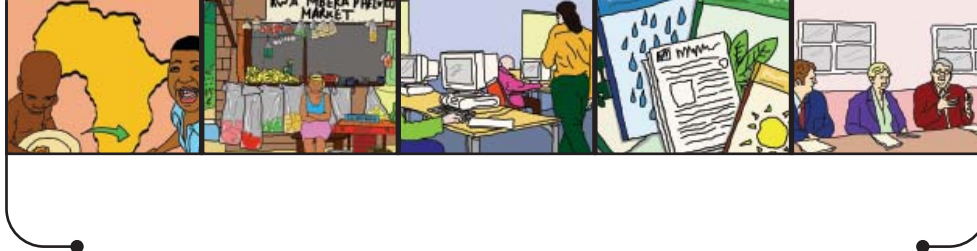
Economic modelling

Economic modelling is an important tool for economists and policy-makers to assess the likely impact of a broad range of social and economic events on an economy. Its real power is in its predictive value when developing 'what if' scenarios. The quantitative nature of economic modelling also makes it possible to compare the likely impact of one policy intervention in relation to the impact of an alternative intervention. Economic modelling is therefore a particularly useful tool for policy-makers faced with complex policy trade-off decisions.



However, for a number of reasons, economic modelling, although a useful tool to both economists and policy-makers, is seldom used in South Africa. First, economic modelling is a laborious undertaking. It is simply impossible to undertake 'quick and dirty' modelling exercises without severely damaging the credibility of the results. On average, a credible modelling effort requires at least three to six months. Partly as a result of this, modelling efforts tend to be supply driven, as consumers of such exercises (policy-makers) may not always have the luxury of being able to wait six months before results are available.

Secondly, economic modelling requires relatively large volumes of data and at a high degree of disaggregation to provide reliable results. Thirdly, economic modelling technicians are in relatively short supply in South Africa. A few commercial entities supply this service but they are generally very small and are geared towards answering fairly straightforward research questions. Policy research inevitably involves much more complex questions and the trade-offs between policies may be much more subtle, requiring very careful specification of the model to ensure the reliability of its results.



Fourthly, the demography of the people currently involved in the CGE modelling field makes it clear that South Africa's black economics graduates do not see a viable career path in economic modelling. Finally, the benefits of using economic models and the cautionary announcements that should accompany their results are generally poorly understood in South Africa. Whilst the latter may not be a binding concern at present, it would be important to ensure that the capacity of both the economists using the models and the policy-makers using the results is strengthened.

The relatively slow rate at which skills are accumulated in the economic modelling field and the paucity of commercial enterprises which could otherwise be drawn upon by Government severely limit the short-term solutions available to boost capacity.

TIPS will therefore undertake three broad categories of activity which we believe will lead to sustainably higher levels of economic modelling capacity available to the policy community.

Increasing the supply of hands-on training

The first objective of the economic modelling initiative is to increase the size of the pool of economists who can undertake modelling exercises and to alter the demographics, both in terms of gender and race, through the introduction of a number of focused training courses on econometrics, economy-wide modelling and CGE modelling.

Establishing an economic modelling practitioner network

Unfortunately, the provision of a training course by itself does relatively little to build intellectual capacity. Rather, it is the development of a network of interested researchers and policy analysts who can collaborate to develop approaches to answering vexing questions and share insights which has the greatest potential for boosting intellectual capital in this area. Such a network has the additional benefit of being a source of research capacity which could in the relatively short term be leveraged to supply the current high demand for modelling support.

It is also important to note that maintaining economic models is expensive. The network could provide a home for developing and maintaining a common data set as well as an institutional framework for developing it.

A principle of good modelling is that small models addressed to specific issues are better than large, 'one size fits all', models. However, it is possible to conceive of a family of models (a core model) built around certain common features. The network could provide a focus for developing and disseminating such a core model and for the systematic upgrading and incorporation of agreed new features to form a foundation for adaptation to the specific needs and interests of participating institutions.

Locating the modelling network within government

At least as important as the production of economic modelling exercises are the consumers of modelling capacity. If not consulted during the process of developing economic models, consumers (policy-makers) may find the applications being undertaken too 'academic'. It will be an important benchmark of the network to be able to measure the policy relevance of its work. Secondly, if policy-makers wish to use economic modelling in their decision-making processes, they will need to take account of the lead times before a modelling exercise will provide results,



Research

as well as the data requirements for such exercises. Without a firm commitment on both these grounds, any modelling initiative will likely grind to a halt. To address these issues, the network should be located within Government. If a lead department could provide guidance to the network in terms of priority research themes in both the short and medium term, the relevance of the network's output to Government should be assured.

Academic data access and training



One of the key constraints to economic growth in South Africa remains the skills available to the manufacturing sector of the economy. However, this constraint has also come to the fore in the academic community. South Africa's tertiary institutions are simply not able to produce enough graduates of sufficient quality to satisfy the demand from both government and the private sector for economists. In particular it is a concern that as economics has become more and more quantitatively focused, economics graduates' writing skills and analytical capacity are increasingly under-developed.

Moreover, few graduates are skilled in trade and industrial policy analysis upon qualifying from South Africa universities. We believe that this will become an increasingly severe constraint over the next decade, as many South African government departments are already operating with as high as 40% vacancies for policy-related staff. Clearly there is relatively little that TIPS can do to convince economics graduates to pursue a career in government. However, we have an obligation to assist graduates who might wish to pursue such a career to obtain the necessary skills and expertise to do so.

In addition, black South African universities – seriously under-resourced during *apartheid* – continue to struggle to compete with white universities, notwithstanding increasing financial resources directed to them under the democratic government.

We will therefore launch the ADAT initiative in 2007, which we believe could increase the skills of economics students at post-graduate level, increase the supply of policy-relevant research and in particular expose graduates from black universities to the basic research methods necessary to pursue a career in policy-making.

The ADAT initiative consists of three main interventions.

Access to data

All Honours and Masters Economics and Development Studies students will have automatic access to the trade and industry local and international databases to which TIPS currently subscribes. Previously, access was strictly controlled and possible mainly for individuals who were formally part of the TIPS network. As some of these databases are purchased from international suppliers on commercial terms, access was limited. South African universities will be invited to forward their students' details to TIPS and we will administer their access in-house.



Expanded capacity-building

Access to data without providing the tools to manipulate such data would be futile. TIPS will therefore make its training services available to all South African universities on a pure cost-recovery basis, with the objective of running a training course at every university within two years. Under-resourced black universities will be subsidised fully and particular attention will be paid to ensure that our training courses are accessible to all interested economists, irrespective of their universities' capacity to fund such training.

Small research grants

Access to data and training does little for capacity-building if individuals do not have the opportunity to apply their new knowledge in a practical manner. TIPS has therefore budgeted to provide a number of small research grants to encourage post-graduate students to undertake their dissertations in areas that are relevant to TIPS and the policy community in general. This will hopefully increase the supply of policy-relevant research and ensure that graduates are exposed to the research questions that vex policy-makers.

TIPS believes that the combination of these three factors and the shift in focus to younger researchers who will likely be policy-makers in the next decade present the highest potential for ensuring that the TIPS network is sustained, and perhaps more importantly, infused with new research capacity.

Southern African Development Research Network



Current and previous donor initiatives on economic policy in Southern Africa have generally focused on providing direct technical assistance in specific areas or targeted capacity-

building often focused on individuals rather than institutions. Whilst some of these initiatives have been successful in meeting short-term policy needs, they are not sustainable solutions to Southern Africa's weak policy and research communities.

TIPS has undertaken a substantive needs analysis of both the policy and research communities. In addition, through our AusAID-funded SADC Trade Development Programme – now in its second year— we believe we have a reliable picture of the research and policy environment in SADC. Policy and research communities in SADC are generally characterised by poor integration with one another; policy agendas which are growing and complex; policy processes that are not always based on sound evidence or research; research communities that are under-resourced and not producing a pool of technically skilled researchers; and researchers who are not sufficiently skilled in new, emerging policy themes.

Therefore, in 2007, TIPS will establish a broad-based policy and research network, the Southern African Development Research Network, which will attempt to fill some of these institutional and skill gaps. The objectives of SADRN are to:

- ▶ Increase the supply of policy-relevant research in the SADC region by creating a pool of suitably skilled researchers based in institutions in SADC.
- ▶ Improve the policy relevance of research through strengthening the capacity of policy-makers to be discerning research 'users'.



Research

- ▶ Develop an appreciation for evidence-based policy-making by engaging policy-makers in the design, specification, implementation and review of research projects.
- ▶ Build institutional capacity in key policy research institutes in SADC via the creation of Working Groups in focused thematic areas of research.

However, the Network needs to balance two different priorities: the need to deliver, in the short run, policy-relevant research which is useful to policy-makers in the national capitals of the SADC countries and the need to build, in the medium term, institutional capacity within policy research institutes and universities in the region.

Ideally, we would wish to sequence our activities such that capacity in the research community is first strengthened before attempting to draw policy-makers into the process. However, with policy-makers' agendas already substantial and increasingly complex, there simply is not enough time to do this, and the long-term credibility of the Network could be damaged if it cannot demonstrate its value to the policy community at the outset.

We therefore propose an evolving role for TIPS in the Network. In the first 12 to 15 months, we will co-ordinate the delivery of short-run policy-relevant research. This will ensure that policy-makers see value in SADRN, thereby establishing its credibility and their continued support. To establish strong accountability to policy-makers' needs, we will co-ordinate an accelerated round of stakeholder consultation through workshops and seminars with the objective of launching substantial research projects in three key areas. Based on the consultation already undertaken, there is strong demand for research in regional industrial policy, trade policy and pro-poor growth and service sector development for poverty reduction.

It will, however, be essential that TIPS undertakes a programme of institutional strengthening in the region, in parallel with co-ordinating short-term research. We therefore propose a number of arrangements such as formal mentorships between established researchers and younger researchers to increase delivery potential in the short term. In addition, SADRN will simply have to find a balance between building sustainable organisations in the medium term whilst dealing with immediate policy research needs.

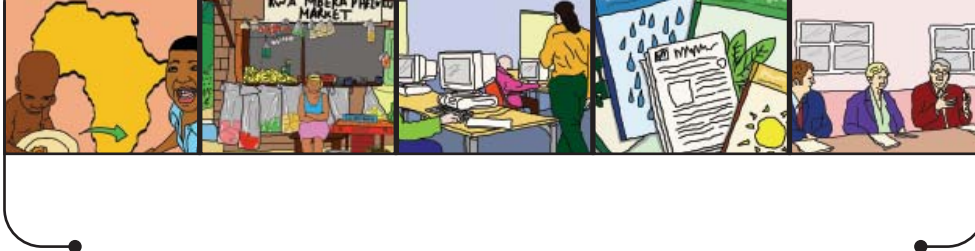
SADRN will be launched in 2007 at an inception workshop with regional stakeholders which will focus on the programme's rationale and architecture and look at current and potential research co-ordination in the region.

Research functions and outputs

Within each of these Research Programmes mentioned above, a focus on regional issues is implicit but varies in degree from Programme to Programme. Furthermore, each Research Programme comprises a set of activities, detailed below. Selecting the appropriate activities for each research programme ensures TIPS' outputs are carefully planned and evaluated for relevance in the local and regional context before implementation.

▶ Data

- Collection, structuring and on-line dissemination
- Development of new sources and series.



► ***Tools and methods***

- Development of new tools or methodologies to answer specific research questions
- Application and customising of best-practice tools available in the rest of world to South African data/research
- Impact assessment tools and techniques.

► ***Research***

- Strategic 'over the horizon' public-good research for which there may be little immediate explicit demand
- Practitioner-focused practical research
- Substantive research focused on immediate needs.

► ***Advocacy***

- Policy briefings to government and civil society
- Maintenance of a media presence.

► ***Capacity-building***

- Training courses
- Seminars
- Workshops
- Scholarships.

► ***Dissemination***

- Policy-focused Annual Forum
- Small, highly focused workshops
- Working Paper series
- Quarterly Trade & Industry Monitor
- Substantial biennial thematic volumes of policy-focused research, for example, State of Trade Policy / SMME Economy / The Real Sector
- Ad hoc Briefing Papers.



03

TIPS publications

Research dissemination

TIPS' reputation for quality research which is not only academically sound but also policy-relevant remains our key competitive advantage in South Africa. With the exception of contract research, most of our programme research is presented at open fora such as conferences or seminars. This ensures an implicit element of quality control. In addition, our larger projects are generally submitted to anonymous referees for comment. Where the comments are substantial, researchers are requested to make appropriate improvements to their projects.



Publications

The South Africa research environment has evolved significantly over the last three years. When TIPS was established, one of its key objectives was to inform and align the research community much more closely with the research and policy needs of Government. This has to a large extent been achieved, with many Universities now directly contracted to Government departments. In addition, many individual researchers are now contracted directly by Government in their personal capacities. TIPS' role in sustaining such a research network has necessarily evolved in response to these changes.

We now see a role for TIPS mainly in larger, longer term research projects where the capacity to co-ordinate and manage multiple researchers and research phases is important. In addition, projects which require substantial data manipulation, database development, the institutionalising of the research results and the development of online *Resource Pages* for subsequent additional research are niche requirements where TIPS is fully able to support the research community.

We believe that TIPS has been particularly successful in strengthening research capacity in tertiary educational institutions, leading to an increase in both the quality and quantity of policy-relevant research emanating from South African universities.

Internal publications

Trade & Industry Monitor 2006



In 2006, TIPS relaunched its flagship publication, the Trade & Industry Monitor. The Monitor was first produced by the Development Policy Research Unit (DPRU) at the University of Cape Town, and since April 1997 in-house at TIPS. Its main objective is to disseminate policy-relevant trade and industrial policy research in an accessible format to policy-makers and analysts. The 'new' Monitor retains this as its core objective, but we believe that the absorptive capacity of government has grown to such an extent that we can now consider publishing full-length journal articles without the need for extensive editing and shortening prior to publication.

Furthermore, the breadth and depth of economic policy debate occurring in South African policy circles today necessitates a broadening of the thematic areas on which TIPS focuses. The new Monitor therefore covers the full spectrum of economic research, from macroeconomic policy to competition and regulation policy, 'development' issues in general, as well as sub-national economic policy issues. The Monitor is published and distributed by TIPS to almost 500 subscribers locally, in the region and internationally.

TIPS sees the new Monitor as an improved source of topical policy-relevant research and envisages that the research community will support this initiative by increasingly submitting their research for publication. Young researchers in particular are encouraged to use the Monitor as a first step towards peer-reviewed journal publication.



Publications

Trade & Industry Monitor Volume 37, October 2006

LABOUR MARKET DYNAMICS

The impacts of globalisation and liberalisation on inequality, *Albert Berry, University of Toronto*

Employment dynamics in the Western Cape, *Morné Oosthuizen, DPRU, University of Cape Town*

TECHNOLOGY AND INNOVATION

Industrial policy: the untold story of global industrialisation, *Nimrod Zalk, the dti*

Smart industries: the importance of technology and R&D for industry performance, *Simon Roberts, Corporate Strategy and Industrial Development, University of the Witwatersrand*

An overview of the impact of the commodity price boom on the SA economy, *Ryan Hawthorne, Reena Das Nair and Keith Bowen, Johannesburg Economics*

TRADE LIBERALISATION

Do free trade agreements create trade for South Africa? *Merle Holden, University of KwaZulu-Natal Durban and Landon McMillan, TIPS*

China's new exchange rate policy: will China follow Japan into a liquidity trap? *Ronald I. McKinnon, Stanford University*

REGIONAL TRENDS

Survey of accommodation for Joburg's cross-border shoppers, *Faranoff Associates, in association with Urban Inc.*

SECTOR STRATEGIES

Microeconomic development strategy for the South African film industry, *Krista Tuomi, independent consultant*

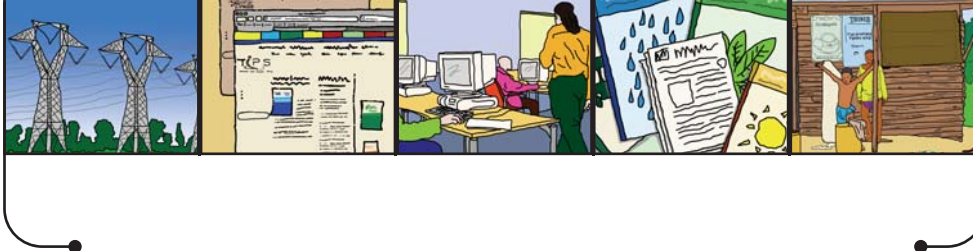
TRADE AT A GLANCE

Mmatlou Kalaba, TIPS

Forum paper series 2006

Forum 2006: Accelerated and shared growth in South Africa: determinants, constraints and opportunities

Over the past 10 years, South Africa's economic growth has become increasingly robust and employment has expanded. Nevertheless, unemployment has risen substantially and improvements in terms of poverty and inequality have been slow to materialise.



FORUM 2006: ACCELERATED AND SHARED GROWTH IN SOUTH AFRICA
 FROM LEFT TO RIGHT: Servaas van der Berg (*University of Stellenbosch*), Haroon Bhorat (*DPRU*),
 Joel Netshitenzhe (*The Presidency*), Murray Leibbrandt (*UCT*) and Alan Hirsch (*The Presidency*)

It has therefore become increasingly clear that the major challenge facing the country is twofold: to lift the economy onto a path of higher growth and to ensure that the benefits of this growth are enjoyed by all members of society. This notion is encapsulated in ASGISA, spearheaded by the South Africa's Deputy President.

TIPS and the Development Policy Research Unit (DPRU) again joined forces in 2006 to host the Annual Forum on Accelerated and Shared Growth in South Africa. Forum 2006 looked in detail at the concept of accelerated and shared growth and, specifically, how the poor are to be engaged in development, covering areas ranging from small business development, trade and industrial concentration, to quality education, skills development and youth unemployment.

Keynote speakers at this Forum – Tshediso Matona (Director-General: **the dti**), Guillermo de la Dehesa (chairman: Centre for Economic Policy Research, London), Tony Venables (chief economist: UK Department for International Economics and professor of international economics: London School of Economics) and Joel Netshitenzhe (head: Policy Co-ordination and Advisory Services in The Presidency) – sparked significant debate amongst participants. They particularly addressed how best to ensure that South Africa's current growth trajectory's benefits are equitably spread.

<p>Opening Address: Research to support a critical growth path, Tshediso Matona, <i>the dti</i></p>	<p>Plenary session 1: Nine common fallacies about competitiveness and globalisation, Guillermo de la Dehesa, <i>Goldman Sachs, Europe</i></p>
<p>Parallel Session 1A:</p> <p>Education and the labour market</p> <p>Unemployment, education and skills constraints in post-apartheid South Africa. Dorrit Posel & Rosa Dias, <i>UKZN</i></p> <p>Education screening in South Africa's labour market. Steven F Koch & Simon Sekabira Ntege, <i>UP</i></p> <p>Graduate unemployment in the face of skills shortages: a labour market paradox. Kalie Pauw, Morné Oosthuizen & Carlene van der Westhuizen, <i>DPRU</i></p>	<p>Parallel Session 1B:</p> <p>Infrastructure and shared growth</p> <p>Infrastructure and growth in South Africa: direct and indirect productivity impacts of 19 infrastructure measures. Johannes Fedderke, <i>UCT</i> & Z Bogetic, <i>World Bank</i></p> <p>Assessing the impact of ransnet and Eskom's infrastructure investment programmes on the capital goods sector and key constraints. Marian Walker, <i>WITS University</i></p> <p>An economy-wide impact assessment of the economic infrastructure investment component of the ASGISA. Dirk van Seventer, <i>TIPS</i> & Rob Davies, <i>HSRC</i></p>



Publications

Parallel Session 2A:

The informal economy

Perceived barriers to entry into self-employment in Khayelitsha, South Africa: crime, risk and start-up capital dominate profit concerns. **Paul Cichello**, *Loyola College*, **Colin Almeleh**, *ASRU, UCT*, **Liberty Ncube & Morné Oosthuizen**, *DPRU*

Second best? trends and linkages in the informal economy in South Africa. **Richard Devey**, **Caroline Skinner & Imraan Valodia**, *UKZN*

Trade dynamics in used clothing: the case of Durban, South Africa. **Myriam Velia**, **Imraan Valodia & Barutti Amisi**, *UKZN*

Parallel Session 2B:

South African industry

Speaker 1: Measures of manufacturing industry concentration – implications for South Africa. **Clifford Naude**, *Exponential Economics Consulting*

Globalisation, imports and local content in the South African automotive industry. **Anthony Black & Sipho Bhanisi**, *UCT*

Weak links in the BEE chain? procurement, skills and employment equity in the metals and engineering Industries. **Lesenda G Mohamed**, *IDC & Simon Roberts*, *WITS University*

Parallel Session 3A:

Special session: measuring poverty and inequality in post-apartheid South Africa

Not separate, not equal: poverty and inequality in post-apartheid South Africa. **Phillippe Leite**, *World Bank*

Trends in poverty and inequality since the political transition. **Servaas van der Berg**, **Ronelle Burger**, **Rulof Burger**, **Megan Louw** and **Derek Yu**, *Stellenbosch University*

The sensitivity to key data imputations of recent estimates of income poverty and inequality in South Africa. **Cally Ardington**, *UCT*, **David Lam**, *UMich*, **Murray Leibbrandt & Matthew Welch**, *UCT*

Sticking to the facts: official and unofficial stories about poverty and unemployment in South Africa. **Charles Meth**, *UKZN*

Parallel Session 3B:

Understanding economic growth

Questions of growth, questions of development. **Simon Roberts & Seeraj Mohamed**, *WITS University*

Barriers to growth and skill-biased income distribution in South Africa: Ramsey model growth analysis. **Jørn Rattso & Hildegunn E. Stokke**, *NUST, Norway*

Official revisions to South African national accounts data: magnitudes and implications. **Corné van Walbeek**, *UCT*

Parallel Session 4A:

Education for shared growth

Not separate, not equal: poverty and inequality in post-apartheid South Africa. **Phillippe Leite**, *World Bank*

Trends in poverty and inequality since the political transition. **Servaas van der Berg**, **Ronelle Burger**, **Rulof Burger**, **Megan Louw** and **Derek Yu**, *Stellenbosch University*

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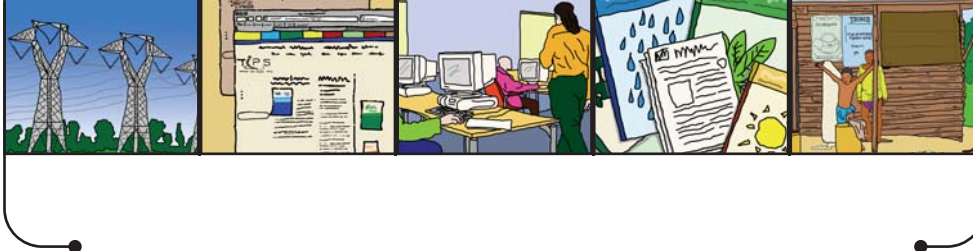
Parallel Session 4B:

Special session – China, India and Africa

The rise of China and India – what's in it for Africa? **Nicolas Pinaud**, *OECD*

The developmental impact of China and India on Ethiopia with emphasis on small-scale footwear producers. **Tegegne Gebre Egziabher**, *AAU*

An evaluation of the developing economic relationships between China and South Africa in the context of negotiations on a trade agreement. **Nepeti Nicanor**, **Simon Roberts**, **Marian Walker**, *WITS University*



Parallel Session 5A:

Health and welfare policy

What evidence for trading-off income and health: disability grants and labour market outcomes for public sector ART patients in the Free State. **Frikkie Booysen**, *UFS*

Have pro-poor health policies improved the targeting of spending and the effective delivery of health care in South Africa? **Ronelle Burger**, *University of Nottingham* & **Christelle Swanepoel**, *UStell*

Determinants of job search strategies: evidence from the Khayelitsha/ Mitchell's Plain survey. **Volker Schoer**, *UCT*

Parallel Session 5B:

Input prices and the economy

The economic impact of rising energy prices: a constraint on South Africa's growth and poverty reduction opportunities. **Marcel Kohler**, *UKZN*, *Westville*

The Impact of oil price shocks on the South African macroeconomy: history and prospects. **Jeremy Wakeford**, *UCT*

Integrated social development as the accelerator of shared growth. **Charlotte du Toit**, *UP*

Parallel Session 6A:

Poverty and pro-poor policy

Facts, myths and controversies: the measurement and analysis of poverty and inequality after apartheid. **Jeremy Seekings**, *UCT*

Shifts in non-income welfare in South Africa, 1993-2004. **Haroon Borat**, **Carlene van der Westhuizen** & **Pranushka Naidoo**, *DPRU*

Where you live matters: urbanisation and labour market outcomes. **Roy Havemann** & **Marna Kearney**, *National Treasury*

Parallel Session 6B:

Productivity constraints

Trade liberalisation and pro-poor growth in South Africa. **James Thurlow**, *IFPRI*

Trade liberalisation and wages in South African manufacturing. **Neil Rankin** & **Fatima Fiandiero**, *WITS University*

Trade and poverty research project in South Africa: lessons and policy recommendations. **Lawrence Edwards**, *UCT* & **Matthew Stern**, *DNA*

Gala dinner: Debating challenges of a higher growth trajectory, **Joel Netshitenzhe**, *The Presidency*

Plenary session 2: International trade for a middle-income country, **Tony Venables**, *DFID & LSE*

Parallel Session 7A:

Labour market dynamics

The South African labour market 1995-2004: A cohort analysis. **Nicola Branson**, *UCT*

Rising unemployment in the South African labour market: a dynamic analysis using birth cohort panels. **Rulof Burger** & **Dieter von Fintel**, *Stellenbosch University*

Robust estimates of Okun's coefficient for South Africa. **Marina Marinkov** & **JP Geldenhuys**, *UOFS*

Parallel Session 7B:

South Africa's investment climate

South Africa: an assessment of the investment climate. **Vijaya Ramachandran**, **George Clarke** & **Dave Kaplan**, *UCT*

Driving a regional sector development programme: lessons from the Western Cape, 1999-2005. **Nigel Gwynne-Evans**, *TCI*



Publications

Parallel Session 8A:

Shared growth: discrete issues

Evaluating South Africa's export performance. Owen Willcox & Dirk van Seventer, *TIPS*

i-Dollar eyi one! – language, economic participation and shared growth in South Africa. Ana Deumert & Nkululeko Mabandla, *UCT*

An employment-targeted economic programme for South Africa: brief highlights of major proposals. Robert Pollin, Jerry Epstein, James Heintz & Leonce Ndikumana, *UMass*

Parallel Session 8B:

Productivity and growth

The barrier model of productivity growth: South Africa. Torfinn Harding, *World Bank* & Jørn Rattso, *NUST, Norway*

Encouraging innovation and productivity growth in Africa to Create Decent Jobs. Susanna Wolf, *UNECA*

Social and economic infrastructure Impacts on economic growth in South Africa. Chandi Kularatne, *National Treasury*

Southern African Trade Development project, TIPS / AusAID

The three-year SADC Trade Development Programme encompasses a number of research projects on trade reform in Southern Africa, including the development of an online trade database, Social Accounting Matrices to determine the links between trade and poverty, and capacity-building activities to address the relatively low levels of analytical capacity of countries in the region.

In a bid to develop the absorptive capacity of policy-makers in the region, TIPS in 2006 produced a number of accessible research publications:

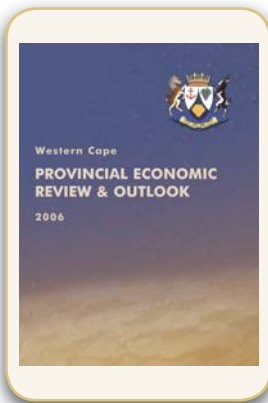
- ▶ **The Intra-SADC Trade Performance Review 2006** highlights the intra-SADC structure and patterns of trade for Member States and aims to improve the analytical grounding of policy analyses. A special focus of the 2006 review was a barometer of the level and depth of intra-SADC trade flows. Thus, the analysis was performed for trade with South Africa, trade with the rest of SADC (excluding South Africa), and trade with the rest of the world. As capacity-building is a core objective of this project, in-country researchers – who took part in an advanced trade analysis course – were commissioned to analyse the individual countries' trade data (collected and collated by TIPS from individual Member states) and write the country chapters for this review.
- ▶ **Electronic and hard copy Trade Information Briefs** provide policy-makers and the private sector with export intelligence regarding the potential of SADC's current as well as potential export basket of goods and services. Sectors and/or sub-sectors covered in 2006 include horticulture (soyabeans, almonds, cassava and capsicum) and aquaculture. Feedback on the Trade Information Service series has been very positive. In particular, the national Department of Agriculture (DOA) has shown interest in both the content and methodologies of the Briefs and has requested additional assistance from TIPS on aligning the Briefs with its own activities. The DoA has also requested two training courses since the publication of the first Briefs and has requested every publication since then.



External publications

*Sector reports, **the dti***

the dti commissioned TIPS to undertake a project on trends and forecasts in key sectors of the economy in the context of ASGISA. The aim of the study was to further the 'process of discovery' essential to design, implement and adjust targeted interventions to open bottlenecks and unlock the growth and employment potential in the identified sectors. Special emphasis was placed on five ASGI sectors – primary agriculture, agro-processing, biofuels, arts & craft and film & tv – with in-depth quantitative and qualitative analyses of historical and forecasted future trends provided.



PER&O 2006, Western Cape Provincial Treasury

TIPS again project managed the Western Cape's Provincial Economic Review & Outlook, a socioeconomic scan of the Province.

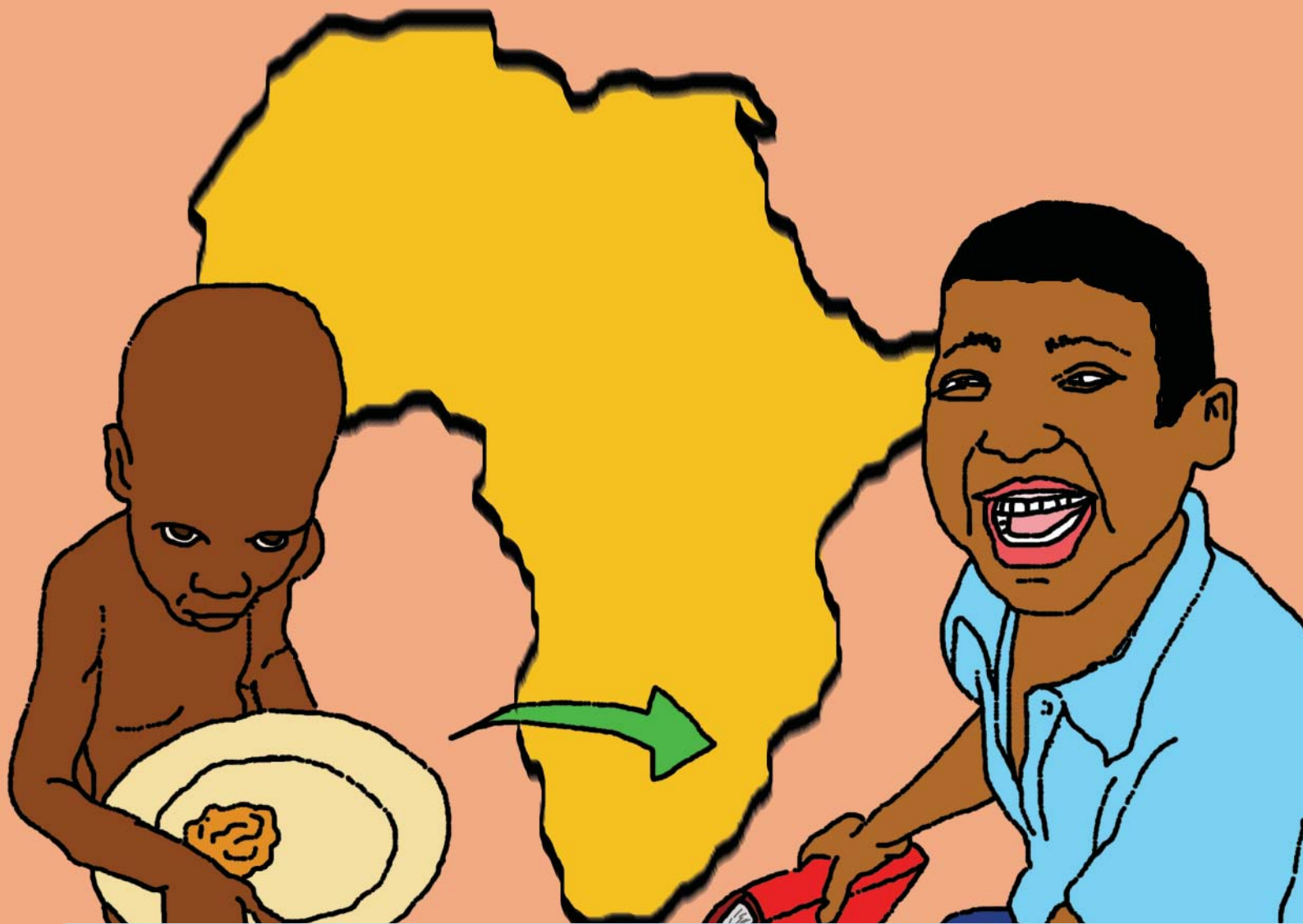
Service sector survey, British High Commission

The British High Commission commissioned a regulatory review of the South African services sector in 2006. Five priority service sectors were analysed – distribution, communication, health, financial and transport services – to better understand their potential role in alleviating poverty and supporting economic growth in South Africa.

*Bilateral impact assessments, **the dti***

Following from its work in this area in 2005, TIPS in 2006 undertook further bilateral impact assessments for **the dti**, in particular on a potential agreement between South Africa and Singapore. These highly confidential reports are a key input into the SACU negotiating teams for bilateral trade agreements.

In addition to these publications, TIPS in 2006 received queries from various academic institutions, publishers and private companies to use or re-publish our papers and articles. TIPS' chapter on Exporting for Small Businesses, commissioned by Oxford University Press in 2005 for its post-graduate text book, *International Marketing*, received extremely positive reviews in the media.



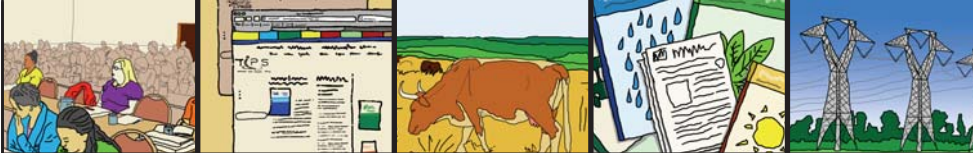
DONORS

04

TIPS donors

TIPS operated as a project within the IDRC's Johannesburg Office from 1996 until it became a not-for-profit company in 2001. The organisation continues to receive and actively seek support from a number of donors operating in South Africa and the region to be able to diversify our funding sources and, more importantly, allow us to expand our public-good activities in areas of relevance to policy-makers in the region.

TIPS is immensely grateful for its donors' generous support. Continued donor assistance highlights the organisation's success in becoming a mature research leader that is increasingly responsive to the local policy environment while maintaining an overt and strong interest in public policy in the areas associated with developing country economic policy.

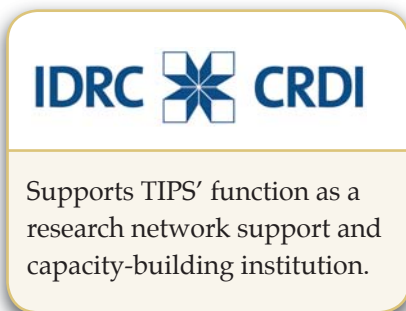


Donors

TIPS' donors in 2006 were:

- ▶ IDRC, which supports TIPS' function as a research network support and capacity-building institution.
- ▶ DFID, which provides project funding for trade research support, particularly to **the dti**.
- ▶ AusAID, which supports the SADC Trade Development Programme at TIPS.

IDRC



Since 2001, the IDRC has supported TIPS to fulfil the following objectives:

Serve as a clearing house for policy-makers and researchers:

TIPS has built strong relationships with all the major universities in South Africa and as such has been able to draw readily on researchers to undertake specific research projects, either funded through another donor or, increasingly, funded directly by government. In the field of trade, TIPS accounts for a substantial portion of **the dti's** research needs, and of course we remain a key dissemination channel for researchers wishing to place their research in policy-makers' view.

Strengthen capacity outside of government to increase the quality of policy-applied research:

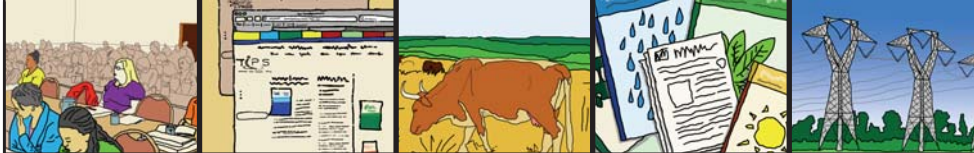
A key activity under this Programme is the development of analytical courses and summer schools targeted at both researchers and mid-level policy analysts. In addition, TIPS convenes a range of research seminars around specific issues which have resulted in significantly better flows of information about international research methods than previously. Overall, we believe that local research capacity is significantly stronger than before. A monthly seminar series hosted in 2005 and 2006 and funded primarily by DFID has increased TIPS' reach considerably, with the labour and civil society constituencies specifically being targeted.

Create absorptive capacity in government for applied research:

TIPS strives to ensure that training courses/summer schools are attended by a mix of both researchers and policy analysts. Further, TIPS convenes various seminars and policy briefings where the target audience is specifically government officials. We believe that through these two channels, we have achieved our objective of developing a group of increasingly discerning research users within **the dti** and government as a whole. The project has a significant impact through its policy dialogue function by ensuring greater integration between policy and research.

Create and support research infrastructure:

Consistent with our research network approach, and by leveraging additional funding, TIPS focuses on developing infrastructure for research, such as new databases and making them accessible online, thereby significantly improving researchers and policy-makers' access to policy-relevant economic data. Through this, the policy relevance of research has undoubtedly increased dramatically.



Donors

DFID

DFID Department for International Development

Providing project funding for trade research support, particularly to the dti

The South Africa Trade and Poverty Programme was envisaged to provide capacity support to the South African government. Key priorities include South Africa's bilateral and multilateral trade policy agenda, but also a sharp focus on the impact of South Africa's trade policy on poverty.

Trade research support

Following from its work in this area in 2005, TIPS in 2006 undertook further bilateral impact assessments funded by DFID. These reports are highly confidential and are a key input into the Southern African Customs Union (SACU) or South African negotiating teams for bilateral trade agreements. For example, an analysis was carried out on a potential agreement between South Africa and Singapore.

Programme to promote informed dialogue

The Programme provides assistance in a wide range of activities to help South Africa to formulate, negotiate and implement pro-poor trade policies, including assistance to the private sector, civil society and government through stakeholder seminars, institutional development, and research and capacity-building.

A seminar series held under the auspices of the National Economic Development and Labour Council (Nedlac) was implemented in 2005 and ran through 2006, with between 20 and 40 people attending each seminar.

AUSAID



Supporting the Southern African Trade Development Programme at TIPS

Discussions in 2004 with AusAID to support TIPS to implement a regional programme on trade-related policy research in 10 Southern African countries culminated in an agreement for a three-year partnership. Implementation of the programme began in 2005. Capacity-building is a core focus of the programme and so far, more than 300 policy analysts and researchers in Southern Africa have been trained in trade data manipulation and advanced trade analysis.

Five projects were selected for implementation:

Development of a Southern African trade database

TIPS researchers travelled to SADC Member States to collect trade data and build capacity through a number of training sessions, particularly aimed at empowering local researchers and policy-makers to use the database effectively. The database is structured using sophisticated database software, Beyond 20/20, which allows for maximum functionality and flexibility, resulting in a very powerful tool for trade analysts and policy-makers in the region. The overwhelming response has been highly positive and participants expressed a strong interest in seeing the database maintained.



Integration of SACU social accounting matrices

TIPS is contributing to the construction of a Namibia SAM, which is envisaged to be integrated into a SACU multi-country framework, together with the current Lesotho, Swaziland and South Africa SAMs.

SADC export market intelligence

Information on the export performance and potential of many developing countries remains incomplete. TIPS' Trade Information Service series of market briefs aims to contribute to bridging this information gap for existing producers in SADC who may not have the financial resources to generate a fully fledged market research process. The briefs are basic first-cut analyses of export prospects to allow enterprises to make the decision on whether to initiate further market research. Each 'Brief' covers a product cluster of particular interest to SADC members.

SADC trade performance review

TIPS commissioned in-country researchers for the second intra-SADC trade performance review, which analyses member states' trade performance across a range of dimensions. A special focus of the review is an indication of the level and depth of intra-SADC trade flows. Each country analysis distinguishes between trade with South Africa, trade with the rest of SADC and trade with the rest of the world to offer the SADC Secretariat and other stakeholders further insight into how trade within the region has evolved and could be facilitated further. The ultimate aim of the project is to identify the products that SADC member states import from other countries but could actually source from within SADC.

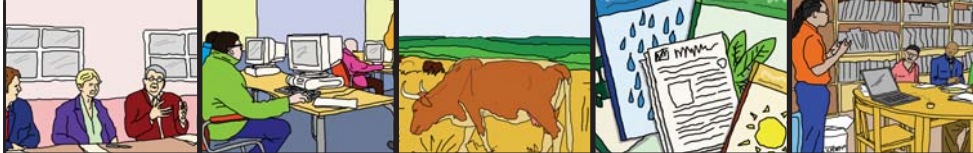


05

TIPS
website & data

The TIPS website plays a key role in disseminating the research output of the organisation as well as of the broader TIPS research community. An outstanding feature of the website is our ability to populate it consistently with important research and data generated within TIPS and procured from the outside.

The online, searchable research database contains approximately 700 papers, focusing on, inter alia, trade, industry and regulatory issues, and includes both reviewed working papers and shorter, policy-orientated briefing papers.

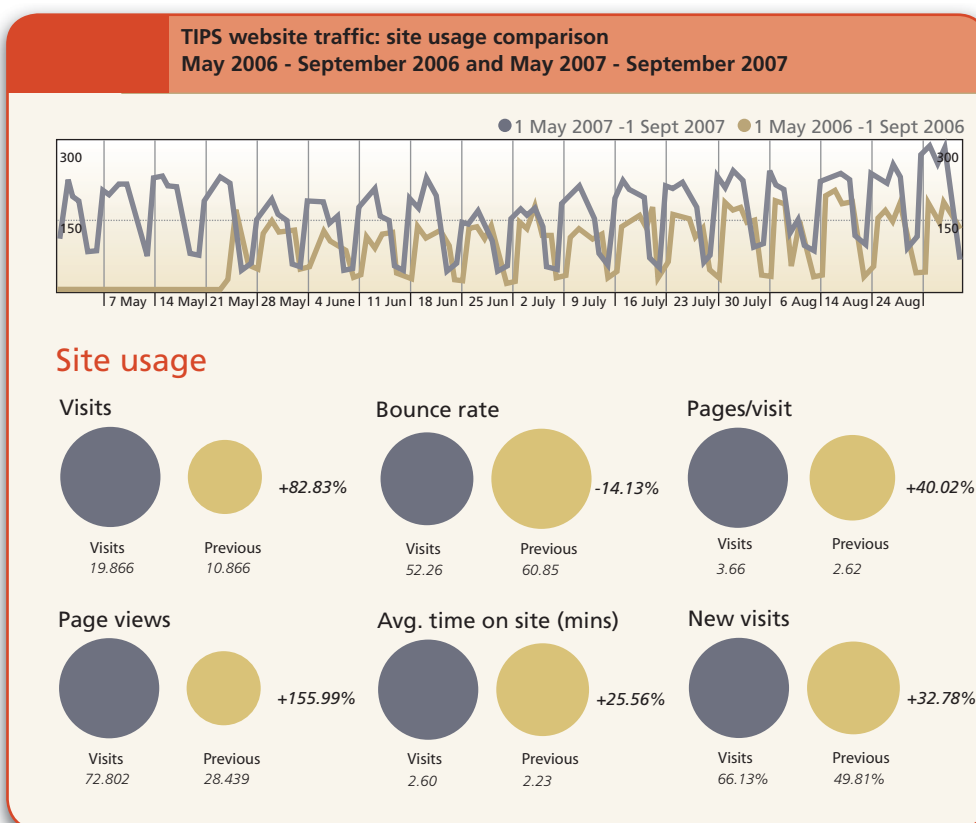


Website & data

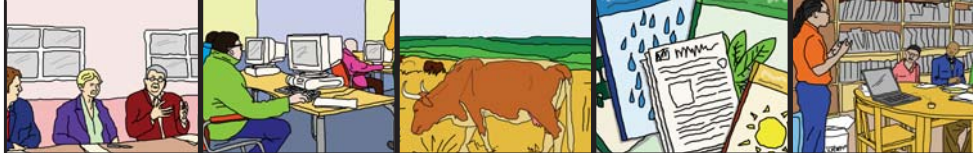
Website

In 2006 we fundamentally redeveloped TIPS' website and extended the 'sadctrade' website, which is part of our regional trade development and capacity-building programme with AusAID. Aesthetically, the TIPS website now has a more modern 'feel' with new features such as full search, subscription, user tracking and 'ticker-tape' newsflashes. However, the underlying structure has also been altered radically to make it easier to search for information, to provide for more frequent updates and to allow greater control over content and updating within the organisation. Moreover, the provision of 'resource pages' such as the Southern Africa Trade & Poverty Programme webpage allows for researchers working in a particular field to access in-house and external literature, news briefs, methodological tools, useful links and data effortlessly.

To evaluate the website's effectiveness and user-friendliness, we compared user statistics for two four-month periods – one during which the 'old' website was still in use and a four-month period after the new website was launched – which clearly show a steady increase in website visits, paper downloads and general usage. For example, site usage went up from 10,866 to 19,866 visits – an impressive increase of 82.83%. Individual page views increased by 156%.



TIPS's website for its Southern African Trade Development programme (www.sadctrade.org) also attracted positive interest during 2006. The Southern African Trade database is one of the website's most powerful tools. Since the database was launched online in March 2006, some 300 users have signed up. The SADC Secretariat makes frequent use of the database, as well as the Botswana Institute for Development and Policy Analysis. Other users include academics and civil servants throughout the region, for example, researchers working for the Mozambican government have used the database to determine whether or not Mozambique should join SACU. For the year,

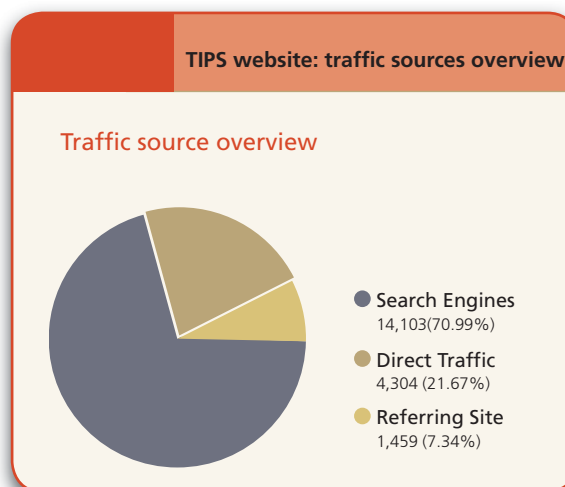


Website & data

the number of (unique) visitors and the number of pages viewed, as well as the information downloaded all increased substantially.

While activities around the Southern African trade database were initially focused on the technical aspects of collecting the trade data from SADC Member states, 'cleaning' it and making the database widely accessible, during 2007 we propose focusing on improving its reliability and strengthening our relationships

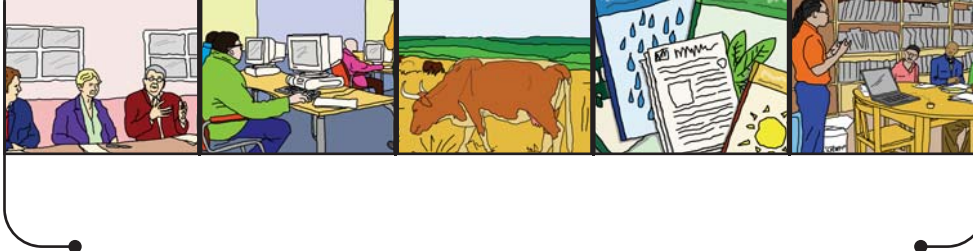
with policy-makers and researchers in SADC countries so as to ensure its full use by relevant policy bodies. This will also be important with regard to ensuring the long-term sustainability of the online database itself. Moreover, we would seek to improve the value-addition elements of the database by including, for example, regular trade bulletins that would carry short assessments on key trade developments within the region by specific commodities or countries. Another potential additional feature to the online database would be a facility to link up exporters and importers both intra- and extra-regionally. This could assist in ensuring that the database is not only used by researchers but becomes relevant for enterprises engaged – or with the potential to engage – in trade.



Online data

For South African researchers, economic data resources have in the past been difficult to access in a usable format, and are often expensive for individuals and tertiary institutes. Therefore, providing researchers with access to economic data sources has been one of TIPS' key contributions to capacity in the field of economic research. Although never formally so, TIPS has been the de facto provider of such data to a significant number of researchers and students. However, providing third-party access to data has recently become increasingly expensive. As a result, TIPS now only provides data to researchers collaborating on research projects with TIPS or academic researchers not working on commercial projects. However, a new initiative at TIPS – ADAT – aims to broaden access to all Honours and Masters economics students.

Another concern is that researchers at tertiary institutes may be producing survey data of potentially great value to policy-makers and other researchers. However, with research budgets generally under pressure, it is unlikely that these researchers would invest in collating the data into a standard format which could be incorporated into a database widely available to the South African research network. A separate, but linked, problem is that of research data dissemination and archiving: surveys and other data conducted and collected by researchers may not be stored in appropriate formats, nor easily disseminated. Access to such results is often dependant on the original researcher still being contactable. Software obsolescence means that inevitably some datasets will no longer be useable at all with time. By providing a single source of, and a single interface for, data, significant economies of scale can be achieved in sourcing data, administering licences and controlling IT resources. A range of ancillary services can also be developed, for example, systematic data training, both on the data dissemination tool and other data analysis tools. TIPS will therefore establish a consortium to provide the following data services:

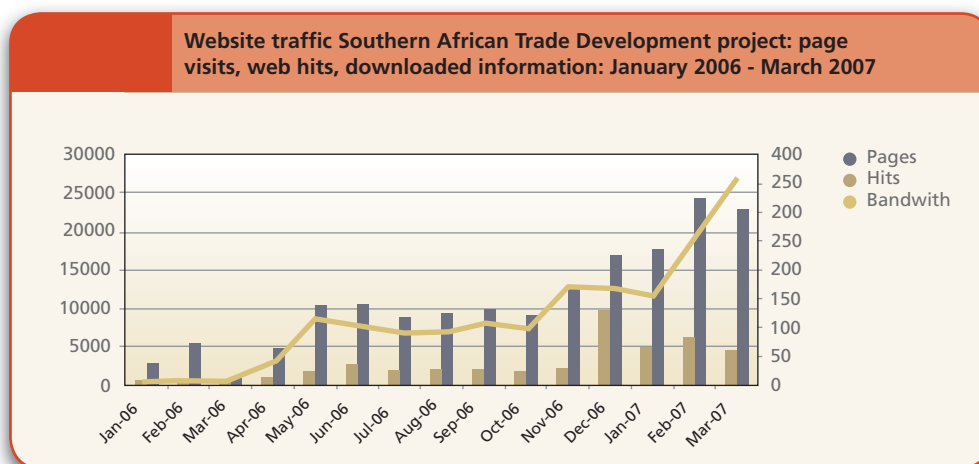


- ▶ Data development, aggregation, centralisation, archiving and dissemination
- ▶ Data access and user training.

All students registered with an economics department at a South African university (focusing on post-graduate students) will be able to make use of these data services.

Apart from the Southern African trade database, which was developed and is maintained by TIPS, the organisation also hosts the International Trade Centre's TradeMap and ProductMap tools. We are happy to report that new users from government departments, economic research organisations, NGOs and private companies registered for and actively used the TradeMap and ProductMap databases at an increasing rate during 2006.

Website traffic Southern African Trade Development project: January 2006 - March 2007					
Month	Unique visitors	Number of visits	Pages	Hits	Bandwidth (MB)
Jan-06	16	22	508	2605	6.6
Feb-06	18	59	963	5458	11.79
Mar-06	10	16	146	789	7.4
Apr-06	109	181	1128	4839	38.25
May-06	286	397	1833	10361	118.13
Jun-06	324	602	2825	10555	104.04
Jul-06	322	606	2000	8789	89.32
Aug-06	359	727	2127	9402	89.11
Sep-06	418	795	2199	9950	106.32
Oct-06	385	797	1822	9158	97.87
Nov-06	572	1000	2296	12998	176.25
Dec-06	410	702	9759	17031	169.45
Jan-07	366	778	4952	17746	155.92
Feb-07	723	1363	6196	24280	253.1
Mar-07	908	1492	4585	22957	361.73





06

TIPS
activities

TIPS plays an important role in disseminating its own research and that conducted within the TIPS network. This is confirmed by the extent to which TIPS is the first organisation approached by many policy analysts for advice, support or simply information. This view is supported by the fact that TIPS events are attended and TIPS is invited for briefings by various Ministers, Directors-General and senior government officials.

We believe TIPS' impact on the policy community to be significant. We are seen as an independent source of analytical information, little constrained by dogma, and our policy analyses are generally seen as thoughtful. Our activities have greatest impact in the trade arena where we have great confidence that our research is translated into policy.



Activities

TIPS each year hosts several conferences, symposia and seminars on issues related to Southern African trade and industrial policy, which serve as a platform for researchers, policy-makers and other stakeholders to discuss ongoing research and enter into dialogue on policy-relevant issues resulting from research.

Annual forum

The Forum is an annual event bringing together members of the research, academic and policy communities to discuss economic policy issues of South African and regional interest.

TIPS/DPRU Forum 2006: Accelerated and shared growth in South Africa: determinants, constraints and opportunities, 18 – 20 October 2006

TIPS' 10th Annual Forum, organised with DPRU, looked at the concept of accelerated and shared growth and, specifically, how the poor are to be engaged in development, covering areas ranging from small business development, trade and industrial concentration, to quality education, skills development and youth unemployment. The conference explored both the 'hard' economic and 'soft' social issues which are likely to determine the success of ASGI-South Africa, interrogated the factors which may constrain the outcome of ASGI-South Africa initiatives and highlighted the opportunities where its initiatives may take off.

Some 50 research papers were presented by participants from across the South African research community spectrum. International speakers include Guillermo de la Dehesa (Goldman Sachs Europe) and Tony Venables (UK Department for International Development and London School of Economics).

The breadth and depth of research papers presented were considerable, and the Conference stimulated a vibrant exchange of views between researchers and policy-makers. **the dti** Director-General Tshediso Matona opened the conference, while the guest speaker at the Gala Dinner was Joel Netshitenzhe, Head of the Policy Co-ordination and Advisory Services (PCAS) of the Presidency, who offered his thoughts on the *Challenges of a Higher Growth Trajectory*.

SATPP policy dialogue workshop series

As part of the DFID-funded South African Trade and Poverty Programme¹ and its objective to promote informed dialogue on South Africa's trade policy amongst key stakeholders, TIPS in 2005 and 2006 implemented a social dialogue series under the auspices of Nedlac. These seminars provided a platform for government and civil society representatives (business, labour and broader social interest groups) to discuss critical issues concerning the role of trade policy in fostering poverty reduction and human development in South Africa. The following policy dialogues took place during 2006:

DBSA infrastructure barometer, 19 April 2006

During February 2006, much media attention was given to the R372-billion set aside by government for infrastructure investment. But is infrastructure a household term? What does 'infrastructure' entail, and which are the major sectors? What are the special characteristics of national infrastructure and of household level infrastructure, and where are the backlogs in

¹ The SATPP aims to build capacity in South African institutions to formulate and implement inclusive, pro-poor trade reform strategies. The programme involves research around the analysis of and strategy formulation for free trade agreement (FTA) negotiations, the impact of trade liberalisation, industrial tariffs and intellectual property rights.



Activities

investment? What are the unique challenges facing each? Will the proposed investments be a quantum leap forward or merely a catch-up? Can municipalities afford to roll out services to all and keep those services running? These are some of the issues discussed and questions answered in the *DBSA Infrastructure Barometer 2006* which was presented at this seminar.

Poverty and inequality trends since the transition, 28 June 2006

A team of economic researchers from Stellenbosch University recently attempted to estimate trends on poverty in the post-transition period, focusing particularly on trends since the turn of the century. Using information from more than 30 datasets, the team, consisting of Prof. Servaas van der Berg, Ronelle Burger, Rulof Burger, Megan Louw and Derek Yu, found robust evidence of a strong decline in poverty (both in terms of the number of poor people and the proportion they form of the total population), largely due to an increase of R27bn in public expenditure on social grants since 2000. Although job creation has also contributed to the improvement, they showed that its contribution has thus far been limited. Their presentation at the seminar series also briefly discussed evidence on the rise of the black middle class and its consumption patterns.

The developmental state and economic transformation in the new South Africa, 26 July 2006

The concept of the developmental state has often been invoked in South Africa, especially under the democratic dispensation following the non-racial, non-sexist, multi-party elections in 1994. But much of the discourse tends to focus on the expected role of the state and its objectives rather than its institutional architecture. This presentation examined the concept of the developmental state and set out its structural/organisational characteristics, as well as its role in economic transformation. On the basis of the conceptual framework, the presentation posed the question whether the democratic South African state is a developmental state. The presentation identified some of the challenges facing the country in building a full-fledged developmental state that could enhance its economic competitiveness and ensure inclusive and equitable development.

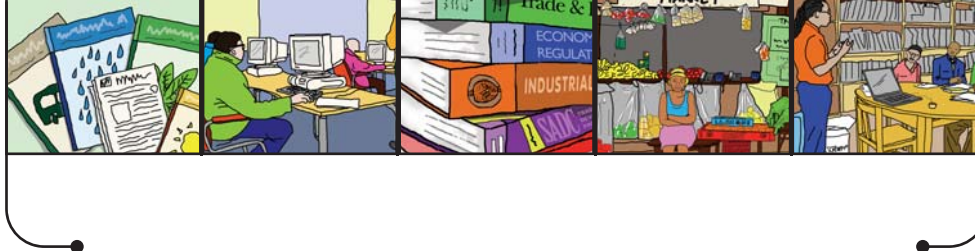
Omano Edigheji, research manager of the Centre for Policy Studies (CPS) and external associate of the Centre for the Study of Globalisation and Regionalisation, University of Warwick, led this seminar.

Training and capacity-building

TIPS places a high priority on building researchers' and policy-makers' capacity through seminars, workshops and short training courses aimed at a variety of participants. We particularly emphasise supporting disadvantaged individuals in our training initiatives, with a target of at least 50% equity and gender participation, ensured in some cases through financial support.

TIPS has a significant impact in the area of economic modelling, around which short courses on economy-wide modelling and computable general equilibrium techniques are conducted. With the experience gained in more than a decade of work in South Africa, TIPS has also expanded its activities to the SADC region, developing courses and workshops on trade data and trade policy geared to assist SADC states in forthcoming trade negotiations.

Our capacity-building activities – incorporating formal training, seminars, dialogue series, data access and training programmes and scholarships – aim to:



- ▶ Raise the technical skills of mid-level policy-makers.
- ▶ Strengthen the analytical skills of post-graduate students in areas not traditionally offered at South African universities.
- ▶ Reduce the gap between knowledge and skills in applying analytical techniques in practice, thereby better preparing young researchers for technical posts in government departments.
- ▶ Raise the appetite of senior government officials for technically sound, policy-relevant research.
- ▶ Develop a pool of researchers throughout the region who are interested in applied economic policy research. Provide a career path for economists desiring to enter a career in public policy.

ITC: TradeMap and ProductMap

TradeMap South Africa operates in a web-based interactive environment and covers the trade flows of all products between 180 countries and territories. It allows South African exporters, for example, to analyse present export markets, pre-select priority markets, review opportunities of market, product and supplier diversification as well as identify existing and potential bilateral trade with partner countries. TradeMap also provides important information on tariff and non-tariff barriers. ProductMap offers extensive market and business information on 72 industry platforms. TradeMap and ProductMap were developed by the International Trade Centre, a Geneva-based organisation. Thanks to financial support from TIPS and the Dutch and Swiss governments, they are available to all interested users in South Africa.

Introduction to international market analysis tools: using TradeMap & ProductMap, 23 February 2006

TIPS held an introductory training workshop on the use of the ITC's online Market Analysis Tools (TradeMap & Product Map), which focused on the use of these tools for market analysis in the development of international trade strategies. A practical case study investigating the use of these tools in developing a market brief in a particular sector was used.

Country visits: basic data training workshops

SADC ministries, trade officials and export associations

8 - 10 February 2006	Namibia
3 - 7 April 2006	Zambia
24 - 27 July 2006	Botswana
5 - 8 September 2006	Tanzania
21 - 23 September 2006	Malawi
13 October 2006	Botswana
30 November - 1 December 2006	Mozambique
5 - 8 December 2006	Zambia

TIPS conducted a number of trade database courses in 2006. Participants mainly came from Ministries of Trade & Industry, Finance, Agriculture, National Statistics Offices, Revenue Offices, Export Councils, Central Banks, civil society, academics and research organisations.

As part of TIPS' capacity-building activities within its AusAID-funded² Southern African Trade Development Programme, eight trade database courses were conducted during 2006. The course in Zambia was conducted at the request of the University of Zambia to explore the question of whether the country should belong to SADC, Comesa³ or both. Trade data from the TIPS Southern African Trade Database was used to provide some initial findings. At the request from the SADC Secretariat, TIPS staff also conducted a two-day training course at SADC House in Gaborone, Botswana, addressing not only how to access the database but also some simple trade measures and indices.

² The Southern African Trade Development Project is a three-year partnership between the Australian Agency for International Development and TIPS, created to conduct a number of research projects on trade reform in Southern Africa. TIPS' partnership with AusAID falls under its 'African Governance Facility' programme umbrella, and encompasses research projects around trade liberalisation.

³ Common Market for Eastern and Southern Africa



Activities

To complement the training, TIPS developed a 47-page manual, guiding the participants through the complexities of the Beyond 20/20, a powerful software tool used to disseminate the data from our website. Beyond 20/20, which allows for maximum flexibility and functionality by enabling users to pivot data around and rearrange it in the most user-friendly formats, is also used by Statistics Canada and the OECD.

To assess its capacity-building courses, TIPS asked participants to complete an evaluation form. The results have been overwhelmingly positive. Participants found the course very useful, with most believing that the database would help them in their work and that the course had taught them how to use the trade database effectively.

An important objective of the training is to raise the quality of the information and functions contained in the database. Participants were therefore encouraged to provide guidance on the analytical tools that they would find most useful and to review the functionality of the existing database. In a number of cases, these views have given us critical insight into the needs of policy-makers. For example, many participants wished to compare their countries' trade performance relative to global competitors, thereby requiring the trade data to be reflected in a common currency such as US dollars or Euros.

The capacity-building has significantly raised the level of debate about trade policy within some Member States. As participants are drawn from diverse stakeholder groups, the capacity-building workshops have in some cases become the site for vigorous debate between stakeholders and between government departments. The ready availability of the data has also encouraged transparency, as we have seen during workshops where stakeholders who in the past were not able to access their country's trade data were increasingly questioning policy-makers on the justification for policies not supported by the trade data.

There is little doubt in our minds that the capacity-building is leading to an increased level of comfort amongst participants in working with trade data, interpreting the data and further analysing it, thereby leading to an increased likelihood of evidence-based policy-making. In each country there are now at least five to 10 people in the policy, research or civil society communities who can competently download, analyse and interpret the data and analytical functions available in the Southern African Trade Database. In some cases, the analytical exercises participants complete as part of their training highlighted the occasional lack of logic in countries' trade policy-making, leading to significant discomfort by government participants, but in the process introducing critical reflection and review upon all participants.

Economic modelling

Introduction to economy-wide policy impact analysis, 4 - 9 June 2006

Most economics courses focus either on macroeconomic relationships or on their micro foundations. However, at the practical level of public sector policy analysts and policy-makers, considerable attention is paid to the industry/sector or meso level of economic activity. Key sector analysis, sectoral impact studies, partial and general equilibrium trade and industry analysis are frequently conducted both in the public and the private sector.

Input-output analysis, complemented by means of social accounting matrices is often used as a tool to conduct such meso-level economic enquiry. Researchers frequently use these tools to analyse the impact of policy-related and other changes on the economy.



FORUM 2006: ACCELERATED AND SHARED GROWTH IN SA
 FROM LEFT TO RIGHT: Alan Hirsch (*The Presidency*), Tony Venables (*UK Department for International Economics & LSE*) and Joel Netshitenzhe (*The Presidency*)

The tools are also extended to address broader concerns, such as the impact of policy on the environment. Economic modelling techniques that capture economy-wide impacts of policy changes are increasingly being used in South African academic, consulting and research circles. To cater for this increased demand, TIPS offered its sixth one-week introductory course in economy-wide policy impact analysis in June 2006.

The course is designed and presented by academics and experts in the field of economy-wide policy modelling. Lectures are used to introduce the theory and provide insight into the scope of research possible using the particular modelling technique.

More importantly, each lecture is followed by a hands-on exercise where the theory or model is applied using economic data from South Africa and other Southern African countries where appropriate.

What former participants had to say about our economic modelling courses:

“With the help of an input output table, we were able to get a better understanding of the backward and forward linkages in the local Tshwane (Pretoria) context. Keeping the need to create sustainable long-term jobs, we are working on developing the tool to identify BEE and SMME opportunities as well environmental assessment.”

Andre Gouws, Manager: Policy and Information, City of Tshwane Metropolitan Municipality

“The IO/SAM course is extremely useful for sectoral policy makers and analysts. It provides a working knowledge of how sectoral policy and project impact analysis can be modelled.”

Nimrod Zalk, Chief Director: Strategic Competitiveness Unit, Enterprise and Industry Division, the dti

“Policy makers, analysts, economists, and senior managers are required to assess the impact of a government policy decision on various aspects of the economy, in the short term and in the long run. This information is used by banks, politicians, institutions of higher learning etc. to forecast such an impact more accurately, instead of thumb sucking. The IO/SAM course enables policy analysts, policy makers to advise senior managers and the government on the effect of such a policy. More specifically one is able to see which specific sectors will be more affected by such a policy change. The IO/SAM course also provides good grounding for future advanced modelling courses.”

Simangele Sekgobela, Chief Economist, Industrial Development Corporation

Trade and Industrial Policy Strategies
(Association incorporated in terms of Section 21)
Annual Financial Statements for the year ended 31 December 2006

General information

Country of incorporation and domicile	South Africa
Nature of business and principle activities	Trade and Industrial Policy Strategies (TIPS) is a non-profit, public-benefit organisation that is engaged in generating and sustaining a capacity for policy development and research in the sphere of economic policy, with particular emphasis on trade and industry, within and outside of government in South Africa. The company receives grants from international aid organisations and applies these funds against specific projects, administration of these projects and support infrastructure.
Directors	A Hirsch T Matona MG Holden S Hanival
Registered office	814 Church Street Arcadia Pretoria 0083
Business address	814 Church Street Arcadia Pretoria 0083
Postal address	P O Box 11214 Hatfield 0028
Audit committee	MG Holden: Chairperson A Hirsch S Hanival R Lewis
Auditors	Grant Thornton Chartered Accountants (S.A.) Registered Auditors South African member of Grant Thornton International
Company registration number	2001/012247/08



Index

The reports and statements set out below comprise the annual financial statements presented to the members:

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The following supplementary schedule does not form part of the annual financial statements and is unaudited:

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Report of the independent auditors

To the members of Trade and Industrial Policy Strategies (Association incorporated in terms of Section 21)

Report on the financial statements

We have audited the accompanying financial statements of Trade and Industrial Policy Strategies (Association incorporated in terms of Section 21), which comprise the balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 56 to 65.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes:

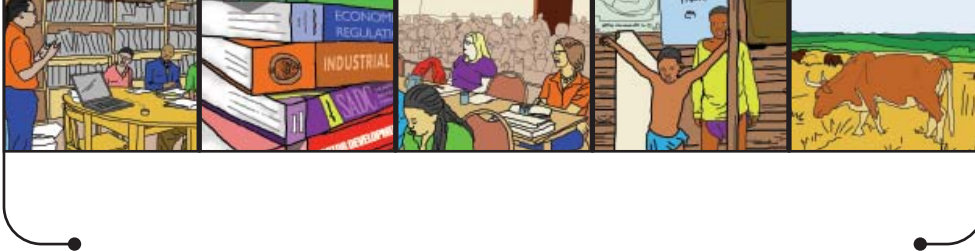
- ▶ Designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- ▶ Selecting and applying appropriate accounting policies; and
- ▶ Making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements present fairly in all material respects, the financial position of the company as at 31 December 2006, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act in South Africa.

Supplementary information

The supplementary schedule set out on page 17 does not form part of the annual financial statements and is presented as additional information. We have not audited this schedule and accordingly do not express an opinion on it.

Grant Thornton

Chartered Accountants (S.A)
Registered Auditors

Per: N C Kyriacou

Chartered Accountant (S.A.)
Registered Auditor
Pretoria
1 June 2007



Directors' responsibilities and approval

For the year ended 31 December 2006

The directors are required by the South African Companies Act, 1973, 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 company 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 judgments and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors 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 company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors 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 directors have reviewed the company's cash flow forecast for the year to 31 December 2007 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 56 to 65, which have been prepared on the going concern basis, were approved by the board of directors on 1 June 2007 and were signed on its behalf by:

Director

Director

Pretoria

1 June 2007



Director's report

For the year ended 31 December 2006

The directors submit their report for the year ended 31 December 2006.

1. Review of activities

Main business and operations

Trade and Industrial Policy Strategies (TIPS) is a non-profit public-benefit organisation that is engaged in generating and sustaining a capacity for policy development and research in the sphere of economic policy, with particular emphasis on trade and industry, within and outside of government in South Africa. The company receives grants from international aid organisations and applies these funds against specific projects, administration of these projects and support infrastructure. The company operates in South Africa.

The operating results and state of affairs of the company are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

During the period under review the company had a deficit of R480 504 (2005: surplus of R220 441).

2. Post balance sheet events

The directors are not aware of any matter or circumstance arising since the end of the financial year.

3. Directors

The directors of the company during the year and to the date of this report are as follows:

Name

A Hirsch
T Matona
MG Holden
S Hanival

4. Secretary

The secretary of the company is Mr I Juszkiewicz.

5. Auditors

Grant Thornton will continue in office in accordance with section 270(2) of the Companies Act.



Balance sheet

as at 31 December 2006

		2006	2005
Notes			
Assets			
Non-current assets			
Property, plant and equipment	2	152 377	128 854
Current assets			
Trade and other receivables	3	648 374	812 376
Cash and cash equivalents	4	4 358 913	4 680 627
		5 007 287	5 493 003
Total assets		5 159 664	5 621 857
Funds and liabilities			
Funds			
Fixed asset funding		152 378	128 853
Accumulated funds		3 522 198	4 026 227
		3 674 576	4 155 080
Liabilities			
Current liabilities			
Trade and other payables		200 314	835 541
Deferred revenue	5	1 284 774	631 236
		1 485 088	1 466 777
Total equity and liabilities		5 159 664	5 621 857



Income statement
for the year ended 31 December 2006

		2006	2005
	Notes		
Grant income	6	5 196 151	5 447 071
Contracts		910 795	639 292
Sundry income		127 377	430 431
Projects expenditure		(5 198 860)	(5 477 605)
Administration expenditure		(1 806 621)	(1 441 916)
Operating deficit	7	(771 158)	(402 727)
Investment revenue	8	290 654	623 168
(Deficit) surplus for the period		(480 504)	220 441



Changes in funds

for the year ended 31 December 2006

	Fixed asset funding	Accumulated funds	Total
Opening balance as previously reported	118 561	3 995 797	4 114 358
Adjustments			
Prior year correction		(179 719)	(179 719)
Balance at 1 January 2005 as restated	118 561	3 816 078	3 934 639
Changes			
Surplus for the year		220 441	220 441
Transfer to fixed asset funding	10 292	(10 292)	-
Total changes	10 292	210 149	220 441
Balance at 1 January 2006	128 853	4 026 227	4 155 080
Changes			
Deficit for the year		(480 504)	(480 504)
Transfer to fixed asset funding	23 525	(23 525)	-
Total changes	23 525	(504 029)	(480 504)
Balance at 31 December 2006	152 378	3 522 198	3 674 576



Cash flow statement

for the year ended 31 December 2006

		2006	2005
Notes			
Cash flows from operating activities			
Cash (used in) generated from operations	11	(513 667)	58 356
Interest income		290 654	623 168
Net cash from operating activities		(223 013)	681 524
 Cash flows from investing activities			
Purchase of property, plant and equipment	2	(98 844)	(86 747)
Sale of property plant and equipment	2	143	60 000
Net cash from investing activities		(98 701)	(26 747)
 Total cash movement for the period		(321 714)	654 777
Cash at the beginning of the period		4 680 627	4 025 850
Total cash at end of the period	4	4 358 913	4 680 627



Accounting policies for the year ended 31 December 2006

1. Presentation of Annual Financial Statements

The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards and the Companies Act of South Africa. The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below.

These accounting policies are consistent with the previous year.

1.1 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- ▶ It is probable that future economic benefits associated with the item will flow to the company; and
- ▶ The cost of the item can be measured reliably.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

Depreciation is provided on all property, plant and equipment, to write down the cost, less residual value, by equal instalments over their useful lives as follows:

Item	Useful life
Furniture and fixtures	6 years
IT equipment	3 years
Computer software	2 years

The depreciation charge for each period is recognised in profit or loss.

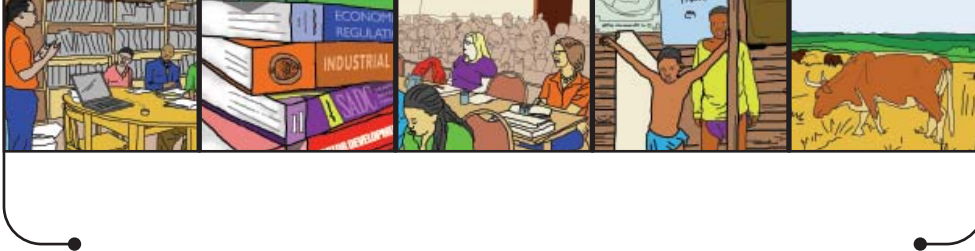
The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.2 Financial instruments

Initial recognition

Measurement

Financial instruments are initially measured as cost, which includes transaction costs. Subsequent to initial recognition, these instruments are measured as set out below:



Trade and other receivables

Trade and other receivables originated by the company are stated at cost less provision for doubtful debtors.

Cash and cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash.

1.3 Leases as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

1.4 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits is recognised in the period in which the service is rendered.

The provisions for employee entitlements to salaries and annual leave represent the amount which the company has a present obligation to pay as a result of employees' services provided at the balance sheet date. The provisions have been calculated at undiscounted amounts based on current salary rates.

1.5 Revenue

Revenue comprises mainly grants, contract fees and course fees. Grants are recognised at fair value, exclusive of VAT, at the earlier of when funding is paid to the company or the right to received payment is established within the financial period.

Contract and course fees comprise net invoiced fees excluding VAT.

Expenditure incurred directly by funders in pursuit of the activities of the company is not reflected as contributions to or expenditure by the company.

1.6 Deferred revenue

Income received in advance is deferred and recognised over the period of the relevant project.

1.7 Fixed asset funding

In order that unexpended funds reflect only the funds available to fund the future operations of projects, those funds that relate to the residual value of fixed assets are separated and reflected within a fixed asset fund. In order to give effect to this policy, an amount equal to the cost of fixed assets acquired, adjusted by depreciation and profits or losses on disposal, is transferred each year from unexpended funds to the fixed assets fund. Proceeds on the disposal of assets are transferred to the unexpended funds.



Notes to the Annual Financial Statements for the year ended 31 December 2006

2006 **2005**

2. Property, plant and equipment

	2006			2005		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	107 050	(28 403)	78 647	72 629	(14 467)	58 162
IT equipment	214 933	(152 680)	62 253	200 448	(138 790)	61 658
Computer software	116 585	(105 108)	11 477	101 125	(92 091)	9 034
Total	438 568	(286 191)	152 377	374 202	(245 348)	128 854

Reconciliation of property, plant and equipment – 2006

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	58 162	35 690	(140)	(15 065)	78 647
IT equipment	61 658	47 693	(5 696)	(41 402)	62 253
Computer software	9 034	15 461	-	(13 018)	11 477
	128 854	98 844	(5 836)	(69 485)	152 377

Reconciliation of property, plant and equipment - 2005

	Opening Balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	37 864	34 610	(5 099)	(9 213)	58 162
IT equipment	75 371	39 644	-	(53 357)	61 658
Computer software	5 326	12 493	-	(8 785)	9 034
	118 561	86 747	(5 099)	(71 355)	128 854

A register containing the information required by paragraph 22(3) of Schedule 4 of the Companies Act is available for inspection at the registered office of the company.

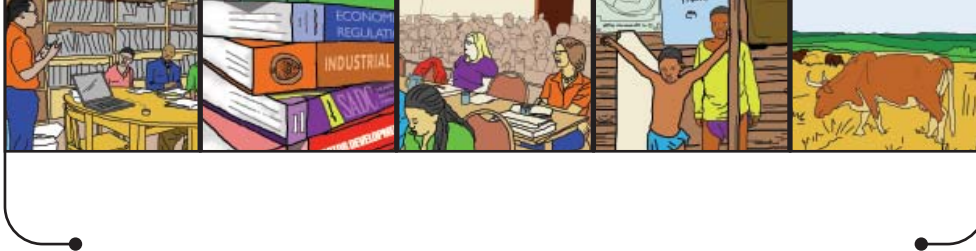
3. Trade and other receivables

Donors	294 120	614 176
Prepayments	108 962	27 663
VAT	21 783	147 151
Other receivables	223 509	23 386
	648 374	812 376

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2 000	192
Bank balances	4 356 913	4 680 435
	4 358 913	4 680 627



2006 **2005**

5. Deferred revenue

This consists of deferred revenue relating to the AusAID project amounting to R1 190 093 (2005: R631 236), deferred revenue relating to the British High Commission project amounting to R79 494 (2005: Nil) and deferred revenue relating to the GFA project amounting to R15 187 (2005: Nil).

6. Grant income

Grants received	5 664 251	5 898 590
Deferred revenue		
- AusAID: prior year	631 236	-
- AusAID: current year	(1 190 093)	(631 236)
- British High Commission: current year	(79 494)	-
- IDRC: prior year	-	179 717
Accrued income		
- IDRC: current year	170 251	-
	5 196 151	5 447 071

7. Operating deficit

Operating lease charges

Premises		
▶ Contractual amounts	180 264	159 459
Equipment		
▶ Contractual amounts	95 233	63 058
	275 497	222 517
Profit (loss) on sale of property, plant and equipment	(5 693)	54 901
Depreciation on property, plant and equipment	69 485	71 296
Employee costs	2 287 153	1 539 318

8. Investment revenue

Interest revenue

Bank	290 654	623 168
------	---------	---------

9. Taxation

No provision has been made for 2006 taxation as the company is exempt from taxation in terms of section 10(1)(cN).

10. Auditors' remuneration

Fees - current year	60 000	75 646
---------------------	--------	--------



Notes to the Annual Financial Statements for the year ended 31 December 2006

	2006	2005
11. Cash generated from (used in) operations		
(Deficit) surplus for the period	(480 504)	220 441
Adjustments for:		
Depreciation	69 485	71 296
(Profit) loss on sale of property, plant and equipment	5 693	(54 901)
Interest received	(290 654)	(623 168)
Changes in working capital:		
Trade and other receivables	164 002	570 525
Trade and other payables	(635 227)	(577 354)
Deferred revenue	653 538	451 517
	(513 667)	58 356

12. Commitments

Operating leases – as lessee (expense)

Minimum lease payments due

- within one year	246 631	183 521
- in second to fifth year inclusive	58 722	167 240
- later than five years	12 007	-
	317 360	350 761

Operating lease payments represent rentals payable by the company for its office property as well as certain of its office equipment.

13. First-time adoption of International Financial Reporting Standards

The company has applied IFRS 1, First-time adoption of International Financial Reporting Standards, to provide a starting point for the reporting under International Reporting and Accounting Standards. On principle these standards have been applied retrospectively.

The date of transition was 1 January 2004 and the effect of the transition was as follows:

The change from SA GAAP to IFRS did not have any effect on the financial position of the company, the results of its operations and its cash flows for the year ended 31 December 2006, and no restatement was required as the changes were not relevant to the company.

14. Directors' emoluments

14.1 Executive directors' (past and present) emoluments

Paid by company		
- For services as directors	582 497	592 542

15. Prior period correction

The company did not previously account for deferred revenue.

This correction results in the following adjustments:

Balance sheet

Deferred revenue	(1 284 774)	(631 236)
Opening accumulated funds	-	179 717

Income statement

Grant income	638 351	451 519
Contracts	15 187	-



Detailed income statement

for the year ended 31 December 2006

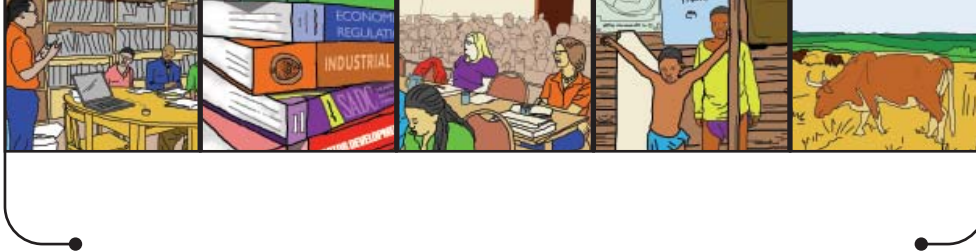
	2006	2005
	R	R
Funding	6 524 977	7 139 962
Grants	5 196 151	5 447 071
Interest received	290 654	623 168
Contracts	910 795	639 292
Sundry Income	23 100	348 171
Course fees	104 277	82 260
Expenditure	7 005 481	6 919 521
Projects	5 198 860	5 477 605
Data subscription and hosting	19 911	245 172
Bank charges	3 243	9 502
Consulting fees	2 530 768	2 822 635
Employment costs	1 755 625	1 179 102
Equipment	2 590	6 140
Office supplies and expenses	18 725	26 559
Printing and publication	720 900	481 562
Seminars, meetings and conferences	40 392	362 189
Telephone	-	14 410
Travel	106 706	330 334
Administration	1806 621	1 441 916
Audit fees	60 000	75 646
Bank charges	10 174	19 106
Computer maintenance	11 005	23 779
Consulting fees	433 696	328 697
Data communications	87 775	60 410
Depreciation	69 485	71 150
Employment costs	578 557	396 476
Equipment	98 710	67 718
Insurance	24 368	29 131
Office rental, security and maintenance	186 614	177 497
Office supplies and expenses	42 442	44 945
Periodicals and subscriptions	4 124	6 059
Printing and publications	74 880	54 999
Seminars, meetings and conferences	1 942	17 194
Telephone	39 396	32 137
Training	22 866	6 600
Travel	60 587	26 530
Vehicle operations and maintenance	-	3 842
(Deficit)/surplus for the year	(480 504)	220 441



Income statement by source

For the year ended 31 December 2006

	GRANT-FUNDED PROJECTS				WORKING CAPITAL (COMPRISING UNRESTRICTED)				
	IDRC: International Development Research Centre	AusAID: Australian Agency for International Development	DFID UK: Department for International Development	British High Commission	Trade and Industrial Policy Strategies			GFA Consulting Group	
<i>Project</i>	<i>Core and Core Programme</i>	<i>African Governance Facility</i>	<i>SATPP</i>	<i>BHC Services Project</i>	<i>Working Capital</i>	<i>EWPIA Course June 2006</i>	<i>Trade Map Course February 2006</i>	<i>GFA: Strengthening SADC Secretariat</i>	
Income	1,555,781	1,304,029	1,446,138	967,247	244,441	65,000	12,544	48,543	
Grants	1,385,530	1,785,841	1,446,138	1,046,741	-				
Contract fees					22,254	-	-	63,730	
Interest		77,045			213,609				
Other				-	8,578	65,000	12,544		
Prior year deferred		631,236							
Current year deferred		-1,190,093		-79,494				-15,187	
Accrued	170,251.00								
Expenditure	1,555,782	1,304,030	1,443,638	967,248	659,609	65,000	12,544	48,543	
Direct	1,555,782	742,893	934,563	692,006	2,224,882	33,000	2,284	36,043	
Allocated		561,137	509,076	275,241	-1,565,273	32,000	10,260	12,500	
Equipment					91,359				
SURPLUS/ DEFICIT(-)									
End of period	0	0	-	-0	3,522,198	-	-	0	
For the period	0	0	2,500	-0	-506,528	-	-	0	
Re-allocation			-2,500		2,500				
At the beginning of the year					4,026,226				



FUNDING FOR SMALL PROJECTS, CONTRACT FEES AND OTHER INCOME AND EXPENDITURE										TOTAL WORKING CAPITAL	CONSOLIDATED
DPRU: Development Policy Research Unit		I-Net Bridge	World Bank	FES: Friedrich Ebert and Stiftung	University of Pretoria	National Department of Agriculture	SEDA: Small Enterprise Development Agency	Department of Trade & Industry			
<i>DPRU / Western Cape PER&O 2006</i>	<i>DPRU: IP Database</i>	<i>I-Net Bridge</i>	<i>WB Competitive Assessment</i>	<i>FES Country Study</i>	<i>Water Research Commission</i>	<i>Market Access Training for NDA</i>	<i>SMME Annual Review 2004</i>	<i>the dti Sector Trends</i>			
151,144	38,750	794	36,739	31,509	52,185	26,733	252,250	289,500	1,265,318	6,523,327	
139,065	38,750	-	36,739	31,509	52,185	-	252,250	289,500	925,982	5,664,251	
12,079		794				26,733			213,609	925,982	
									125,728	290,654	
										125,728	
										631,236	
										-1,284,774	
151,144	38,750	794	36,739	31,509	52,185	26,733	252,250	289,500	1,665,299	6,935,996	
139,283	38,750	-	-	5,497	-5,315	17,185	148,681	338,747	2,979,038	6,904,281	
11,861		794	36,739	26,012	57,500	9,548	103,569	-49,247	-1,313,739	31,715	
										91,359	
0	-	-	-	-	-	0	-	-	- 3,522,199	3,522,197	
0	-	-	-	-	-	0	-	-	-506,527	-504,029	
									2,500	-	
									4,026,226	4,026,226	

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