



TRADE AND INDUSTRIAL POLICY STRATEGIES

ANNUAL REPORT
2003



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EXECUTIVE DIRECTOR'S OVERVIEW



Trade and Industrial Policy Strategies (TIPS) is a Section 21 Company which is active in the economic policy arena and co-ordinates a network of researchers throughout South Africa (SA) and parts of southern Africa. It particularly focuses on producing, stimulating and aggregating policy-relevant, applied economic research around trade, industrial and small business issues, as well as economic regulation and local economic development. The organisation was established in 1996 and initially operated as a project within the International Development Research Centre's (IDRC's) Johannesburg Office. It became an independent, not-for-profit company in 2001.

I joined the organisation as Executive Director in mid-2003 when Rashad Cassim accepted the position as head of the School of Economic and Business Science at the University of the Witwatersrand. Coinciding with this change in management at TIPS were shifting donor priorities and modalities in SA, as well as changing capacities and needs of both government and academia, which necessitated a rethink of TIPS' mission and operations. Our vision and strategic plan remain germane and allow for the continuation of much of the good work that has been undertaken previously, but the path to reach this goal requires a different combination of research and operational strategies.

The need to expand expertise in the area of policy-making to enable the formulation and implementation of relevant policy and heighten the positive impact of policy interventions in various sectors of the economy has become increasingly important to policy-makers across the globe. TIPS has played a significant role in popularising a range of activities which were previously not offered by either the private sector or academia, but were demanded –

especially by government. These activities included specialised training courses such as applied trade analysis and economic modelling, and dissemination activities such as fora, workshops and conferences, which have been critical to building expertise and are consistently well attended by government officials at various levels, academics from SA, southern Africa and abroad, researchers and regulators. These events are especially important in providing an environment and a mechanism for dialogue between researchers and policy-makers, and to continue to grow the skills base in SA and the region.

In particular, the TIPS/Development Policy Research Unit (DPRU) Annual Forum in 2003 contributed greatly to the debate around possible solutions to the growth and poverty challenges facing SA in the next decade of our democracy. TIPS was privileged to host internationally respected academics, namely Albert Berry and Erik Thorbecke, as well as policy-makers of the highest order, such as SA's Honourable Minister of Finance, Trevor Manuel.

In 2003, TIPS clustered its medium-term research activities around four thematic areas, which include trade analysis – up to now one of the organisation's main foci – but also introduced key new components to TIPS' research programme, such as sectoral analyses, economic regulation, and small business and local economic development. Within each of these Research Programmes, activities are carefully planned and evaluated for relevance in the local context, while a focus on regional issues is implicit.

TIPS also remains involved in the Southern Africa Trade Research Network (SATRN), which aims to mobilise the capacity for research and policy analysis across the southern Africa region, and to strengthen the links between southern African researchers and the regional policy community.

EXECUTIVE DIRECTOR'S OVERVIEW



TIPS continues actively to seek the support of donors operating in SA and the region to allow us to expand our activities in areas of relevance to policy-makers in the region. However, TIPS is also increasingly encouraging its users to contribute towards the costs of its research and policy analysis activities. Funds raised in this manner are channelled into extending and deepening public-good activities or to fund projects for which external funds cannot yet be raised but where a need has been identified. TIPS' not-for-profit status as well as its vigilant Board guarantee that funds raised in this manner are used prudently. We believe that by combining donor and contract funding, TIPS will be able to continue to grow its stature in the local and regional policy environs and its ability to deliver high-quality, policy-relevant research, thereby also improving its sustainability.

We see our new approach as reflective of an organisation which is maturing and becoming more responsive to the local policy environment while maintaining an overt and strong interest in public policy in the areas associated with developing countries' economic strategies.

TIPS wishes to thank Rashad Cassim for his untiring dedication to the organisation as executive director from 1996 to 2003, and his continued support of and interest in the research activities and programmes of TIPS. The organisation's stature as one of the leading economic research organisations in southern Africa is virtually solely due to his insights as a policy-absorbed economist and his ability to create and sustain constructive dialogue between the research and policy communities.

TIPS also wishes to extend its sincerest gratitude to its donors – the Canadian IDRC, the German Agency for Technical Co-operation (GTZ), the US Agency for

International Development (USAID) 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 and Members, Directors and in particular the Chairperson of the Board, Alan Hirsch, for their valuable support, diligence and sustaining loyalty.

Stephen Hanival

Executive Director

2 July 2004

STRUCTURE AND STRATEGIC DIRECTION



Organisational Structure

TIPS was incorporated as a Section 21 company in July 2001 (Registration No. 2001/012247/08).

TIPS Board

TIPS is governed by a Board of Directors and Members who are drawn from government, academia and civil society to provide strategic oversight of its activities. The Board members include:

Alan Hirsch	(Member, Director and Chairperson)	The Presidency
Lael Bethlehem	(Member)	City of Johannesburg
Lesetja Kganyago	(Member)	National Treasury
Leslie Maasdorp	(Member)	Goldman Sachs International
Merle Holden	(Member and Director)	University of Natal
Moss Ngoasheng	(Member)	Safika Holdings
Stephen Hanival	(Director)	TIPS
Stephen Yeo	(Member)	Bannock Consultancy Ltd
Tshediso Matona	(Director)	Department of Trade and Industry (the dti)

TIPS Advisory Board

In addition, TIPS' research activities are supported by an Advisory Board comprising internationally regarded researchers and policy practitioners. The Advisory Board members include:

Al Berry	University of Toronto, Canada
Bernard Hoekman	The World Bank
Marc Ivaldi	Université des sciences sociales de Toulouse, France
Rohinton Medhora	IDRC, Ottawa, Canada

TIPS Staff

Stephen Hanival	Executive Director
Carol Molate	Trade Data Analyst
Dirk van Seventer	Senior Economist
Donald Onyango	Economist
Ian Juskiewicz	Financial Manager
Joanine de Figueredo	Project Secretary
Katherine Gibson	Economist
Lucille Gavera	Editor and Publications Manager
Marcalthea Probert	Personal Assistant
Matthew de Gale	Web and Data Manager
Mmatlou Kalaba	Economist
Vanidha Pulliah	Accountant

TIPS Research Associates

TIPS is creating a new organisational layer, 'Research Associates', for experienced researchers or policy-makers who commit themselves to being associated with TIPS on a flexible basis. In this way we ensure that eminent individuals not available on a full-time basis can mentor and support our in-house staff as well as assist with conceptualising new research programmes.



Research Programmes

TIPS has clustered its activities around four thematic areas or Research Programmes:

- Trade Analysis
- Small, Medium and Micro-sized Enterprises (SMMEs) and Local Economic Development (LED)
- Sector Analysis
- Economic Regulation.

Trade Analysis

This programme has been TIPS' 'bread and butter' 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 Free Trade Agreement (FTA), 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, the trade analysis research programme will include the following components:

(i) 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, the African Growth and Opportunity Act (Agoa), bilateral trade agreements and unilateral trade liberalisation/tariff simplification.

A key new component of TIPS' research is the application of the latest methodologies to SA data for household (micro level) as well as sectoral (meso level) economic impact assessments. In this regard, collaboration with the Micro Impacts of Macroeconomic and Adjustment Policies (Mimap) Programme Initiative of the IDRC will be a key focus area. (Mimap assists developing countries to build the knowledge base to measure and analyse poverty, as well as to design policies and programmes that meet economic stabilisation targets while alleviating poverty and reducing vulnerability.)

TIPS will further carry out general equilibrium analyses, based on the most up-to-date set of global trade barriers data (tariff, services, domestic subsidies and imperfect competition). The objective of these analyses is to determine the impact of changes in SA's trade preferences on the country's economy.

Another relatively new area for TIPS is in the domain of Non-tariff Barriers (NTBs). Preliminary research by TIPS suggests that these are increasingly becoming the greatest barrier to developing country exports. Through DFID, TIPS will collaborate with Southern African Development Community (SADC) initiatives to compile a database of NTBs and will endeavour to assist governments in the region to address these through trade negotiations.

(ii) Trade promotion

TIPS currently subscribes to the Geneva-based International Trade Centre's (ITC's) TradeMap facility, a valuable tool in export promotion as it tracks trade trends across a large number of countries and detailed products. However, at present, government officials do not exploit the resources of TradeMap particularly well. A key focus of TIPS is therefore to make the databases more accessible by packaging sector-focused reports for direct use in a policy-practitioner manner for government.

(iii) Trade in services

Trade in services has been growing rapidly globally and some developing countries may well have significant competitive advantage in a number of the modes through which trade occurs. TIPS envisages undertaking a medium-term programme of research in this area which will assist government to develop economic strategies that have at their core economic development and not only industrial development. Improving the understanding of service sector dynamics is a crucial pre-condition to SA's successful involvement in General Agreement on Trade in Services (GATS) negotiations.



SMMEs and LED

As part of a TIPS co-ordinated programme of research on SMMEs, two research clusters – SMMEs and LED, and sectoral studies on SMMEs – have been identified for prioritisation over the next three years.

Overall, the goals of this research programme are to enhance the contribution of SMMEs to the fulfilment of national government objectives for job creation, entrepreneurship development, economic empowerment as well as poverty alleviation; and to provide research that offers policy recommendations to local, provincial and national government concerning SMME development and LED programming.

(i) Sectoral studies on SMMEs

The application of policy and support programmes and frameworks often fails to address the question of sectoral specificity. This project will interrogate specific sectoral issues concerning the growth and/or survival of SMMEs. The core premise 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. An important starting point for sectoral focusing is **the dti's** own identification of priority sectors and analysis of the specific sub-sectoral issues that confront, for example, different groups of SMMEs engaged in Information and Communication Technology (ICT), cultural industries, clothing, agro-processing, automobiles or tourism.

(ii) SMMEs and LED

The stronger linkage proposed by government between SMME support and LED planning highlights the importance of examining this nexus for informing local, provincial and national policy interventions. In the medium term, TIPS envisages undertaking policy-relevant research for LED concerning the impacts of a diverse range of local initiatives for SMME development, including various forms of hard (for example, business and high-technology incubators) and soft (for example, training and skilling

programmes) infrastructure, the application of area-based improvement programmes, or the application of public procurement. Research projects could include:

- A national audit of local authority initiatives to support SMME development.
- The role of high-technology incubators.
- Planning for the informal economy.

Further foci will be the importance of developing relationships and linkages between SMMEs, the advantages that flow from spatial proximity, the collective efficiency gains of small industry clusters and the role of deliberative institutions that can substantially deepen the common knowledge of the group by encouraging collective discussion.

Drawing on international experience, this research will examine the practical issues of local initiatives to establish an infrastructure specific to the needs of emerging high-technology SMMEs.

Sector Analysis

Key 'propulsive' industrial sectors, such as metals, machinery and electronics remain under-researched and under-resourced in terms of policy capacity. The labour-intensive sectors, such as agro-processing, furniture, footwear and plastic products attract even less attention, notwithstanding these sectors' potential for development across SADC and job creation. This is a particularly worrying research gap that TIPS is attempting to address through the following research projects:

(i) Development of consistent data sources

TIPS has played a significant role in facilitating the development of a consistent database depicting Standard Industrial Classification (SIC) two- and three-digit level industrial data. For some sectors of the SA economy, this level of disaggregation is sufficient to allow useful analysis of broad trends within the sector. However, in sectors such as Manufacturing, sub-sectors can have significantly different competitiveness drivers,



impediments to growth and receptiveness to policy levers.

To address these problems, TIPS plans to expand the level of detail within a specific sector such as Manufacturing to provide full coverage of all sub-sectors, as well as break out SIC three-digit to SIC four-digit sectors.

Whilst it is useful to have historical data on disaggregated sectors, it would also be valuable for policy-makers to have some sense of the outlook for various sectors to develop intelligence around the likely direction of other key indicators, such as employment and exports.

In terms of its 'public good' responsibility and with broad support from the New Economic Plan for Africa's Development (Nepad) secretariat, TIPS is exploring the possibility of becoming involved in providing SADC researchers with a single portal for the most up-to-date industrial data for SADC. This activity would promote the further development of an informed regional industrial strategy and serve as a key building block in the overall process of fostering intra-SADC trade and investment.

(ii) Basic sector analysis

Some basic sector analysis is already being undertaken in SA. However, in most cases these reviews are relatively shallow. What appears to be missing are regular analytical reviews of a sector's medium- to long-term performance.

Furthermore, the locus of policy development and implementation seems to be shifting, with provincial and metropolitan-area governments in particular becoming more prominent. This can be seen in the initiatives of the Gauteng Province, especially where Blue IQ projects blur the line between sectoral policy and strategy development, investment promotion, local government planning and direct investment (for example, through Public-Private Partnerships, or PPPs).

Moreover, metro government is increasingly becoming an important economic development player as metros begin to see (and feel) the real costs of industrial restructuring or decline and the impact on their revenue bases. This decentralisation of sectoral policy development is common in other developing and developed countries where competition for investment is often substantial amongst provinces/regions. TIPS endeavours to provide policy-relevant research support to such provincial industrial strategy initiatives.

(iii) Sector strategy development

TIPS anticipates undertaking regional sectoral analysis with a view to ensuring that sector strategies take account of the regional dimension, for example, ensuring that the SA clothing strategy takes account of the availability of cotton in Zimbabwe.

TIPS further envisages analysing long-term international trends in particular sectors and ensuring that these (and their implications) are fully factored into contemporary sector strategy initiatives. For example, international trends in food safety and their potential impact on the domestic prepared foods industry should be analysed. To some extent this activity could become part of a sectoral technology foresight-type activity essentially focused on ensuring that SA builds competitiveness capabilities in appropriate areas.

In addition, TIPS will continue to play an advocacy-type role with regard to sectors broadly and the relationship between sectors and key service sectors and/or utilities.

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 themes in the area of economic regulation complement the organisation's work in sector analysis, trade analysis and economy-wide impact assessments:

(i) The impacts of regulation

Performing an impact assessment of the consequences of regulations that government intends to introduce is currently neither a requirement nor a general practice in SA. This research project will review regulatory impact assessment methodologies and develop assessment practices suited to SA.

(ii) Improving regulatory governance

Regulatory institutions in SA face a number of challenges in carrying out their mandates in their respective sectors regarding resources, skilled personnel, authority and independence. Through this research project, TIPS wants to focus on collaborating with regulatory institutions to identify best practice in the applicable sector and to develop methodology and monitoring techniques to improve the performance of regulatory institutions.

Research Functions and Outputs

Data Development

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

(i) Online restricted data

TIPS Online hosts several economic and trade databases from leading global statistical and research institutions that can be accessed by registered TIPS users:

The **SA TradeMap** facilitates market research for international trade by providing trade by value and quantity, growth trends, market shares and ranking according to selected criteria. The database was developed by the ITC, in conjunction with TIPS and **the dti**.

SA Standard Industry Data provides concise, descriptive analyses based on key ratios and historical trends of selected SA socio-economic variables, providing descriptive analyses of an industry's behaviour or variations across industries.

The **SA and International Economic Databases** are time-series databases updated regularly to provide SA and global economic overviews:

- Quantec Key SA Market Indicators
- SA Reserve Bank Quarterly Bulletin
- Customs & Excise Monthly Trade Statistics
- Statistics SA Indicators
- McGregor BFA Financial Data
- JSE Prices
- IMF International Financial Statistics & World Economic Outlook
- UN Yearbook
- World Bank African and Global Development Indicators
- OECD STAN Database for Industrial Analysis
- Various sector-specific databases.

(ii) Online open data

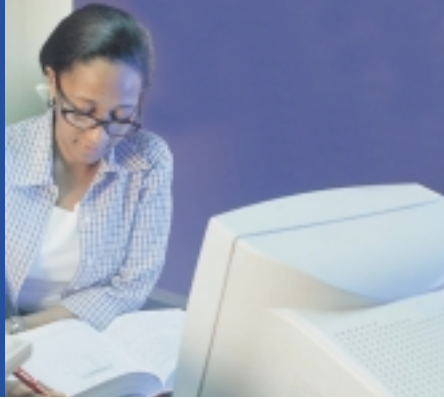
Some data is available to non-registered users:

Focus on Data provides a concise highlight of some of the data available at TIPS Online.

Development and Implementation of Research Tools

- 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 SA data/research.

RESEARCH



Research

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

TIPS commissions research that responds to the information needs of trade, industry and broader microeconomic policy-makers. It further influences the evolution of the policy environment by introducing longer term research engagement with emerging policy questions and broader trends in trade and industrial policy.

A wide range of authors and institutions contribute an extensive set of published reports, articles and working papers each year. All research outputs are available on the TIPS website at <http://www.tips.org.za/research>.

Advocacy

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

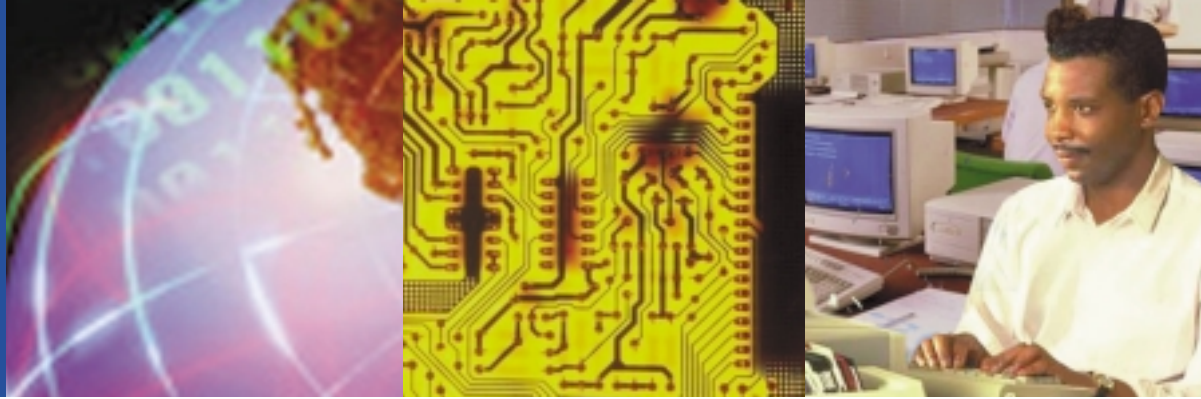
Capacity Building

- Training courses
- Seminars
- Workshops
- Scholarships, research grants and an active involvement in universities' research agendas enable TIPS to assist in the continuous improvement of research quality.

Dissemination of Research

- Policy-focused Annual Forum
- Small, structured workshops
- Substantial biennial thematic volumes of policy-focused research
- Working Paper series
- *Ad-hoc* Briefing Papers
- A quarterly Trade & Industry Monitor, which contains accessible research articles on trade, industrial and technology policy, and information on events, seminars and scholarships in these fields. The Monitor is distributed locally, in the region and internationally.

WEBSITE AND DATA



The TIPS website – recently redesigned and updated to provide a more user-friendly interface to the publications and articles disseminated, news and events publicised, and economic databases hosted – plays a key role in distributing the research output of the organisation as well as that of the broader TIPS research community.

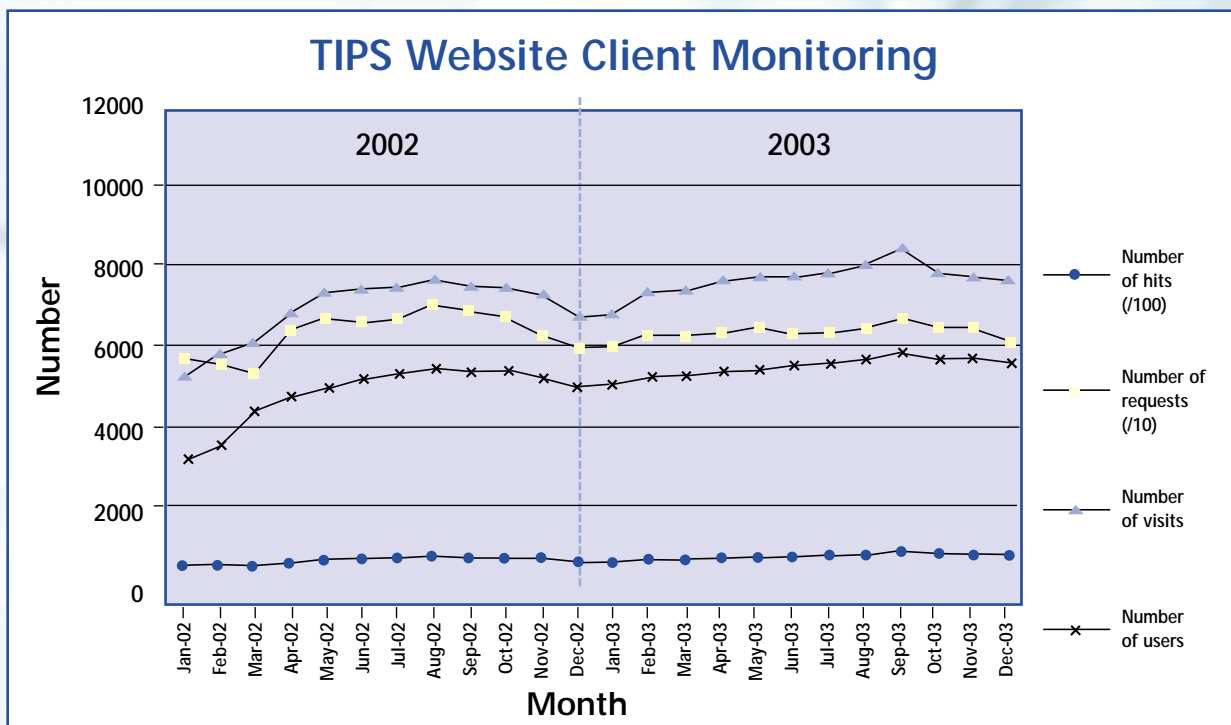
An outstanding feature of the website is our ability to populate it consistently with important research and data generated within TIPS and procured from the outside.

In addition to making various databases available online, TIPS has developed a searchable research database, which contains all its papers on-line, allowing for easy access to TIPS research from anywhere in the world. The TIPS research database contains approximately 500 papers, focusing on topics such as trade, industry and regulatory issues,

and includes both reviewed working papers and shorter policy-orientated briefing papers. There were just under 36,000 paper downloads in 2003.

The TIPS economic databases, hosted online and accessed through the TIPS website, continue to be a vital resource for researchers working in both the academic and policy communities. More than 500 users have access to the SA Trademap database; about half of these users access the database on a fairly regular basis. An ITC evaluation of several countries indicated that SA's use of the TradeMap system is significantly greater than that of the other countries surveyed.

The user pattern for the website is fairly stable, though maintaining an upward growth path. As usual, the website experienced a peak period in September 2003 when over 70 papers, presented at the TIPS/DPRU Annual Forum, were made available on the site.



ACTIVITIES



As part of its capacity-building activities, TIPS each year hosts several seminars, workshops and summer/winter schools, as well as an annual forum on issues related to southern African trade and industrial policy, and broader macro- and micro-economic issues.

Annual Forum

The TIPS Annual Forum is a vehicle to help to create and sustain a network of researchers in the area of trade and industry and other related fields. The Annual Forum is TIPS' largest event and serves as a platform for researchers, policy-makers and other stakeholders to discuss ongoing research and to enter into dialogue on policy-relevant issues resulting from research.

The Challenge of Growth and Poverty: The SA Economy Since Democracy 8-10 September 2003

TIPS hosted its seventh annual forum together with the DPRU, which is part of the School of Economics at the University of Cape Town (UCT) and conducts research in the fields of labour markets, poverty and regional integration.

The 2003 Forum focussed on SA's progress in addressing growth and poverty since democracy and the challenges it still faces in these areas. Key themes addressed at the Forum included:

- Explaining low economic growth in SA in the last decade
- The changing structure of the SA economy and microeconomic reform
- Sectors as engines of growth and employment in the last decade
- Poverty, labour markets and income inequality in the post-*apartheid* period
- Privatisation, regulation and competition.

Over 250 economists, policy-makers and academics from SA, southern Africa and abroad attended the Annual Forum. Various prominent SA government figures and academics, as well as international speakers participated in the Forum, including Finance Minister Trevor Manuel, David Kaplan of UCT, Erik Thorbecke of Cornell University, the University of Toronto's Al Berry and Rohinton Medhora of the IDRC.

TIPS publishes a full Proceedings of the Annual Forum each year.

Forum successes

- The Development Bank of Southern Africa (DBSA) approached TIPS to publish 10 of the Papers presented at the Forum 2003 in abridged format as a Special Edition of its March 2004 *Development Southern Africa* publication, a peer-reviewed journal published five times a year for the DBSA in the UK and distributed to an international audience.
- The *SA Labour Bulletin* dedicated five pages of its October 2003 edition to an overview of the Forum's discussion of developments in the SA policy environment and the country's socio-economic performance since 1994. It further explored some of the debates to emerge following the release of the presidential 10-year review. The *Labour Bulletin* is a key publication for civil society and is widely distributed, especially amongst the trade union movement.
- Various articles on the Forum were published in leading financial magazines and newspapers, such as *Engineering News*, *Financial Mail*, *Business Report* and *Business Day* as well as at the online economic and market news site, I-Net Bridge.
- National radio station SA FM also interviewed a number of Forum speakers throughout the Forum for input to its regular discussion broadcasts.
- A final panel discussion at the Forum, which included panellists such as Congress of SA Trade Unions (Cosatu) chief economist Neva Makgetla



and Alan Hirsch, chief director: economic sector policy co-ordination at the Presidency, elicited vigorous debate on possible solutions to the growth and poverty challenges facing SA, as well as useful observations on ways to actively feed research output and activities into governmental and sectoral negotiations, and policy formulation and implementation.

Conferences, Workshops and Summer/Winter Schools

Trade and Sustainable Development in SA Workshop

14 February 2003

TIPS organised a one-day workshop to present the findings of two case studies done by various researchers on energy services and tourism – sectors of critical importance to the SA economy and the World Trade Organisation (WTO) services negotiations. The research aimed to address questions such as the impact of increased liberalisation in these sectors on the country's economy, how the changing structure of these sectors impacts on the environment, and the implication of such liberalisation in the context of an economy that has massive poverty and unemployment.

Workshop successes

- The research has led to further collaboration between TIPS, the Trade Knowledge Network (TKN) and the International Institute for Sustainable Development (IISD) in this field.

Privatisation, Competition and Regulation in SA Conference

24-25 February 2003

The main foci of the Conference were privatisation, competition and regulation in the electricity, transport,

telecommunications and water sectors, whose long-term growth and development, as well as that of many downstream manufacturing industries and services sectors, are dependent on the economic decisions of regulators and policy-making government departments.

The Conference highlighted the interaction between privatisation, competition and regulation processes in SA, whilst providing perspectives from both developed and developing nations, with participants from the US, Latin America and Egypt. Special attention was paid to distributional issues associated with the reform of SOEs, infrastructure investment and universal access.

The conference was endorsed by the SA Utility Regulators Association (SAURA) to ensure the outcomes are in line with the practical needs and expectations of the regulatory authorities.

Speakers at the conference included representatives from the Universities of Cape Town, Witwatersrand, Natal and Stellenbosch, as well as the Public Utility Research Centre (PURC) of the University of Florida, the then National Electricity Regulator (NER) CEO Dr. Xolani Mkhwanazi and foreign experts. More than 100 people attended the conference.

Conference successes

- The conference assisted in developing a specific, policy-relevant research agenda on regulation that forms part of TIPS' medium-term research programme.
- The conference brought together various interested parties in regulation and competition in SA and abroad, such as the SA Competition Commission, Cosatu, various government departments, the NER, DFID and the Palmer Development Group to establish a network that can actively address future research issues and complex regulatory decisions.

ACTIVITIES



Economics of the Environment Winter School

5-9 May 2003

TIPS organised and Myrick Freeman, the William D. Shipman Research Professor of Economics at Bowdoin College, presented this short course. The aim of the course was to improve the capacity of economists to analyse environmental problems from an economic perspective, and included sessions on applied welfare economics, benefit-cost analyses of environmental policies, measures of welfare change, methods for valuing benefits, pollution taxes and tradable permits, and monitoring and enforcement.

Winter school successes

- 27 economists, researchers, research assistants, senior lecturers, post-graduate students, environmental consultants and mid-level and senior managers of various government departments attended the course.
- 11 scholarships were provided, mainly to women, black researchers and students.

The SMME Economy in SA Workshop

10 November 2003

Since 1994, SA has been faced with the challenges of reintegration into the global economy, while at the same time positioning itself to realise the high expectations of its populace regarding a successful transition towards a more democratic and equitable order. To achieve the objectives of economic growth through competitiveness on the one hand, and employment generation and income redistribution as a result of this growth on the other, SA's SMME economy has been actively promoted since 1995.

Despite voluminous research however, the extent to which SMMEs contribute to poverty alleviation, economic growth or international competitiveness is still largely unclear.

TIPS, in conjunction with the Small Business Project (SBP), hosted this workshop, where over 40 policy-makers, practitioners and members of the research community debated the lessons learnt in developing the small business sector and the challenges we still face.

Workshop successes

- Importantly, the workshop assisted in the formulation of a medium-term research agenda for further research in this area.
- TIPS has initiated sectoral research on SMMEs – specifically since the SMME economy is extraordinarily heterogeneous – as well as research on local initiatives, which includes a focus on strengthening the links to local economic development.
- In addition, TIPS will publish an impact assessment study towards the middle of 2004 to measure and monitor the performance of implemented policy in the SMME sector and so assist in the development of relevant policy decisions in the future.

Training and Capacity Building

The need to quantify the impact of policy interventions has become increasingly important to policy-makers. During 2003, TIPS developed and convened a number of thematic training courses, which were consistently well attended by government officials at various levels, as well as young academics from both SA and southern Africa. It is a testament to the quality of the courses TIPS has presented since 1999 that many of the beneficiaries of such training are today in mid-level and senior government positions.

Introduction to Economy-Wide Policy Impact Analysis

10-14 March 2003

Whilst most economic course work focuses either on macroeconomic relationships or their micro founda-

ACTIVITIES



tions, considerable attention is paid to the industry/sector or meso level of economic activity at the practical level of public sector policy analysts and policy-makers. 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.

An often-used tool to conduct meso-level economic enquiry is input-output analysis, usually extended by means of social accounting matrices. The use of economic modelling techniques that capture economy-wide impacts of policy changes is growing in the SA academic, consulting and research circles. To cater for this increased demand, the School of Economics at UCT and TIPS offered a one-week introductory course in economy-wide policy impact analysis.

Through detailed lectures and computer-based exercises, the participants were introduced to economic modelling using input-output tables and social accounting matrices (SAMs). Researchers frequently use these tools to analyse the impact on production, the environment, prices, employment and income effects of policy-related changes in international trade, taxes, fiscal policy and investment.

Applications and Extensions of Economy-Wide Policy Impact Analysis

14 March 2003

This technical, hands-on training session was part of the short course on economy-wide policy impact analysis targeted at the level of policy analysts in the public and private sector. To facilitate the interface between the end-users of economy-wide policy impact analysis – the policy-makers and the policy analysts – this session was held at the end of the economy-wide policy impact analysis course to present several applications of such analysis based on actual studies conducted in SA. This was followed by

an introduction to the extensions of economy-wide policy impact analysis, which discussed shortcomings in this type of analysis and ways to address them.

Brainstorming Research Methodology Issues in the SA MIDP

28 March 2003

A brief brainstorming workshop was held on research methodology issues with regards to the Motor Industry Development Programme (MIDP) in SA.

Basic Econometrics for Public Sector Policy Analysts Short Course

17-20 June 2003

Econometrics, involving the development and use of special statistical methods, is widely regarded as an important tool of empirical economic analysis. TIPS has in the past commissioned studies that used sophisticated econometric techniques to investigate several issues in the field of trade, industry and macroeconomic policy analysis.

However, in the public sector, there is a growing need to undertake some econometric analysis in-house. Moreover, econometrics has become considerably more complex, and the interpretation of studies submitted to policy-makers that employ such techniques can be enhanced by a good feel for basic econometric techniques based on simple, hands-on applications. For this reason, TIPS offered a short course on basic econometrics aimed at public sector policy analysts who have a basic understanding of econometric theory.

Short Course on Applied Time Series Analysis

17-20 June 2003

This course was designed to provide an introductory coverage of theoretical issues. Emphasis throughout was placed upon the application of the time series estimation tools to real-world data. Data sets provided in the course were drawn from southern Africa economic contexts

ACTIVITIES



and presented in a computer laboratory, which allowed for the immediate interactive application of techniques encountered on real data, in consultation with the course lecturer.

The course was taught by Professor Johannes Fedderke, Gencor Professor of Economics at the School of Economic and Business Science, and Director of Econometric Research southern Africa, at the University of the Witwatersrand.

An Introduction Course to Computable General Equilibrium Modelling
30 June-11 July 2003

The use of economic modelling techniques that capture economy-wide impacts of policy changes is growing in the

SA academic, consulting and research circles. To cater for this increased demand, the School of Economics at UCT and the International Food Policy Research Institute (IFPRI) hosted a two-week intensive computable general equilibrium (CGE) modelling course, which combined theory, data and application, with an emphasis on hands-on computer training.

In the theory area, it surveyed basic micro, macro and trade theory, all of which are applied in economic models. The general equilibrium models developed are structured around SAMs, which provide a practical and consistent framework for organising economic data. The course presented this framework and led students from simple SAM-based models to more complex CGE models.





Forum 2003 Papers

All TIPS/DPRU Forum 2003 papers listed below are arranged thematically and according to the Forum sessions during which they were presented.

Plenary Session – The Challenge of Growth and Poverty: The SA Economy Since Democracy

- ERIK THORBECKE, Cornell University
Keynote address: Conceptual and Measurement Issues in Poverty Analysis
- DAVE KAPLAN, UCT
Manufacturing Performance and Policy in SA: A Review

Parallel Session 1A: Social Security and Poverty Alleviation

- NEIL COLEMAN, Cosatu
Current Debates Around the Basic Income Grant: The Political and Socio-Economic Context
- JAMES THURLOW, IFPRI
Can SA Afford to Become Africa's First Welfare State?
- MARNA KEARNEY, Technikon Free State
Zero Rating Foodstuff: A CGE Analysis for SA

Parallel Session 1B – The Restructuring and Privatisation Experience in SA

- SIMANGELE SEKGOBELA, Industrial Development Corporation (IDC)
The Restructuring of SOEs: Does It Pay?
- AMIENA BAYAT and ZUNAID MOOLLA, University of the Western Cape
Public-Private Participation in the Privatisation of Water Services: The Case of Nelspruit
- AFEIKHENA JEROME and MOSES RANGATA, National Institute for Economic Policy
Privatisation and Restructuring of State Assets in SA: Lessons from African Privatisation Experience

Parallel Session 2A: Poverty Alleviation Interventions

- ANNA MCCORD, UCT

An Overview of the Performance and Potential of Public Works Programmes in SA

- JACQUI GOLDIN, UCT
Components of an Exit Strategy: Public Works as a Gateway to Sustainable Livelihood
- LINDIWE KHUMALO, University of South Africa (Unisa)

An Evaluation of Existing and Past Poverty Alleviation Programmes

- MIRIAM ALTMAN, Human Sciences Research Council (HSRC)

Explaining Employment Trends and Their Policy Implications

Parallel Session 2B: The Restructuring and Privatisation Experience in SA

- JAMES HODGE, UCT
Universal Access Policy in SA
- KARL VON HOLDT, National Labour and Economic Development Institute
Saving Government from Itself: Trade Union Engagement with the Restructuring of Spoornet
- J. RILEY ALLEN, Independent Consultant
Fast-Tracking Telecommunications Reform in Southern Africa

Parallel Session 3A: Poverty and Inequality Trends

- STEN DIEDEN, University of Gothenburg
Income Source Selection Among SA's Poor: Household Characteristics and Integration into the Core Economy
- ROSA DIAS and CHARLES METH, University of Natal
An Attempt to Track Poverty Using the 1995 and 1999 Household Survey
- INGRID WOOLARD, HSRC
Social Security, Economic Growth and Poverty in SA

Parallel Session 3B: Regulation and Competition Policy

- SIMON ROBERTS, University of the Witwatersrand
The Role for Competition Policy in Economic Development? The Effects of Competition Policy in SA,



and Selected International Comparisons

- JAMES A. FAIRBURN, University of Natal

Rules and Discretion in Competition Policy

- DAVID STORER, The Adam Smith Institute and
ETHÉL TELJEUR, Independent Consultant

An Analysis of Administered Prices in SA – Executive Report

- ETHÉL TELJEUR, Independent Consultant

An Analysis of Administered Prices in SA – Transport

- ROLFE EBERHARD, Palmer Development Group

An Analysis of Administered Prices in SA – Water

- JAMES HODGE, UCT

An Analysis of Administered Prices in SA – Telecommunications

- PUNDY PILLAY, Independent Research Triangle

An Analysis of Administered Prices in SA – Education

- GROVÉ STEYN, HSRC

An Analysis of Administered Prices in SA – Electricity

- ALEX VAN DEN HEEVER, Independent Consultant

An Analysis of Administered Prices in SA – Health

Parallel Session 4A: Poverty and Inequality Trends

- ALBERT VAN ZYL, University of Stellenbosch (US) and CARLENE VAN DER WESTHUIZEN, Institute for Democracy in SA (Idasa)

Deep Cuts? Social Service Delivery Under GEAR

- JEREMY WAKEFORD, UCT

The Productivity-Wage Relationship in SA: An Empirical Investigation

- RULOF BURGER, RONELLE BURGER and SERVAAS VAN DER BERG, US

Emergent Black Affluence and Social Mobility

Parallel Session 4B: Sectoral Contribution to Development

- NICK VINK, US

The Influence of Policy Changes on the Contribution of Agriculture to the SA Economy, 1996-2002

- MIRIAM ALTMAN and MARINA MAYER, HSRC

The Contribution of the Construction Industry to the SA Economy

- JUSTIN BARNES, University of Natal, RAPHIE KAPLINSKY, University of Sussex and MIKE MORRIS, University of Natal

Industrial Policy in Developing Economies: Developing Dynamic Comparative Advantage in the SA Auto Sector

Parallel Session 5A: Understanding Labour Demand Trends

- DAVID FRYER, Rhodes University and DÉSIÉRE VENCATACHELLUM, Université de Montréal, Canada

Co-ordination Failure and Employment in SA

- RICHARD DEVEY, IMRAAN VALODIA and MYRIAM VELIA, University of Natal and BALA RAJARATNAM, The World Bank

Constraints to Growth and Employment: Evidence from a Survey of Manufacturing Firms in Durban

- RICHARD DEVEY, CAROLINE SKINNER and IMRAAN VALODIA, University of Natal

Sorry, Wrong Number! A Critical Analysis of Informal Economy Employment Data in SA

Parallel Session 5B: Regulatory Frameworks

- ETHÉL TELJEUR, Independent Consultant, ALISON GILLWALD, Link Centre, GROVÉ STEYN, HSRC and DAVID STORER, Adam Smith Institute

Regulatory Frameworks: Impact and Efficacy – Executive Report

- GROVÉ STEYN, HSRC

Regulatory Frameworks: Impact and Efficacy – Detailed Sectoral Reports: Economic Regulation of Electricity

- ALISON GILLWALD, Link Centre

Regulatory Frameworks: Impact and Efficacy – Detailed Sectoral Reports: Review of Telecommunications Regulation in SA

- ETHÉL TELJEUR, Independent Consultant

Regulatory Frameworks: Impact and Efficacy – Detailed Sectoral Reports: Economic Regulation of Selected Transport Modes



Parallel Session 6A: HIV/Aids

- NICOLI NATTRASS, UCT
Unemployment and Aids: The Social-Democratic Challenge for SA
- FRIKKIE LE R. BOOYSEN, J.P. GELDENHUYS and M. MARINKOV, University of the Free State
The Impact of HIV/Aids on the SA Economy: A Review of Current Evidence
- JOCELYN VASS, HSRC
The Relationship Between Labour Market Dynamics and HIV/Aids Prevalence: A Literature Review

Parallel Session 6B: Capital Markets

- MARTIN GRANDES, Delta, ENS/EHESS, Paris, MARCEL PETER, HEI Geneva and Swiss National Bank and NICOLAS PINAUD, OECD Development Centre
Reducing Debt Costs to Support Growth and Investment: The Currency Premium and Local Currency Denominated Debt Costs in SA
- SEERAJ MOHAMED, University of Massachusetts
Capital Inflows Since the End of *Apartheid* and the 2001 Currency Crisis
- PENELOPE HAWKINS, Feasibility
Features and Challenges of the Post-Democratic Financial Sector

Parallel Session 7A: Economic Distribution and Employment

- NEO CHABANE, University of the Witwatersrand
An Evaluation of the Influence of Black Economic Empowerment on the Application of Competition Policy in SA
- ESTHER NETSHIVHONGWENI, Information Systems, Electronics and Telecommunications Technology Sector Education and Training Authority
The Changing Information and Communications Technology Sector in the SA Economy

Parallel Session 7B: Productivity and Growth

- THANDINKOSI NDLELA, Zimbabwe Reserve Bank and PETER NKALA, National University of Science and Technology Zimbabwe

Macroeconomic Fluctuations and Structural Change in the SA Economy: Pre- and Post-Independence Experience

- AYLIT TINA ROMM, University of the Witwatersrand
The Relationship between Savings and Growth in SA: An Empirical Study

Final Plenary Session

- AL BERRY, University of Toronto
Keynote address: Accelerating Growth with Poverty Reduction
- ALAN HIRSCH, The Presidency, NEVA MAKGETLA, Cosatu, PAUL JOURDAN, Mintek and ROHINTON MEDHORA, IDRC
Panel Discussion – The Next Decade in SA: Challenges for Ensuring Welfare-Enhancing Growth

Working Papers

Most of the papers accepted for the 2003 TIPS Working Paper series were published in electronic format only, with a small selection distributed in print format. In 2004, Working Papers will only be published in electronic format at <http://www.tips.org.za/research>.

- WP1-2003: CHARLES MATHER, University of the Witwatersrand
Regulating SA's Citrus Export Commodity Chain(s) After Liberalisation
- WP2-2003: KEVIN S. NELL, National Treasury
Long-run Exogeneity Between Saving and Investment: Evidence from SA
- WP3-2003: KALIE PAUW, UCT
Evaluating the General Equilibrium Effects of a Wage Subsidy Scheme for SA
- WP4-2003: A DIPAK MAZUMDAR, University of Toronto and DIRK VAN SEVENTER, TIPS
Decomposition of Growth of the Real Wage Rate for SA Manufacturing by Size Class: 1972-1996
- WP5-2003: ELNA MOOLMAN, University of Pretoria
An Econometric Analysis of Labour Demand at an Industry Level in SA
- WP6-2003: DAVID EVANS, University of Sussex

PUBLICATIONS



Winners and Losers in Prospect and Retrospect: A Policy Agenda on Trade, Employment and Poverty in Southern Africa

- WP7-2003: JAMES HODGE, UCT

Extending Telecoms Ownership in SA: Policy, Performance and Future Options

- WP8-2003: SUSAN CLEARY and STEPHEN THOMAS, UCT

Mapping Health Services Trade in SA

- WP9-2003: ANTON EBERHARD, UCT

GATS Energy Services Negotiations and Energy Market Regulation and Liberalisation in SA

- WP10-2003: ETHÉL TELJEUR, Independent Consultant and MATTHEW STERN, National Treasury

Understanding the SA Construction Services Industry: Towards a GATS Negotiating Strategy

- WP11-2003: BERNARD HOEKMAN, World Bank and Centre for Economic Policy Research

Developing Countries and the Political Economy of the Trading System

- WP12-2003: KATHERINE LEE GIBSON, TIPS

Armington Elasticities for SA: Long- and Short-Run Industry Level Estimates

- WP13-2003: ANTHONY BLACK, UCT

The Export 'Success' of the MIDP and the Implications for Trade and Industrial Policy

- WP14-2003: ANTHONY BLACK, UCT and SHANNON MITCHELL, Virginia Commonwealth University

Policy in the SA Motor Industry: Goals, Incentives and Outcomes

- WP15-2003: NIKI CATTANEO, Rhodes University
Intra- versus Inter-industry Specialisation, Labour Market Adjustment and Poverty: Implications for Regional

Integration in Southern Africa

- WP16-2003: PIETER LAUBSCHER, Bureau for Economic Research

The SA Business Cycle Over the 1990s: What Can We Learn?

- WP17-2003: ANDREW MYBURGH, Genesys Analytics
Globalisation, Labour Mobility and the Economics of Emigration: The Case of SA

- WP18-2003: DANIEL NDLELA, ZimConsult

Determinants of Exports from SADC and the Role of Market Access

- WP19-2003: MICHIEL VAN DIJK, Eindhoven University of Technology

SA Manufacturing Performance in International Perspective: 1970-1999

- WP20-2003: MIHALIS CHASOMERIS, University of Natal

SA's Seaborne Commerce: Trade Flows, Transport Costs and the Maritime Transport Policy Environment

Trade & Industry Monitor

The quarterly Trade & Industry Monitor, up to June 2003 a joint publication of TIPS and the DPRU, is now solely published and distributed by TIPS to almost 500 subscribers locally, in the region and internationally. The Monitor's short, accessible articles – which are increasingly being quoted in the media – allow a target audience of mainly government officials access to policy-relevant issues and recommendations.

Volume 25, March 2003

Features

- SA International Cost Competitiveness and Exports: A Sectoral Analysis

STEPHEN S. GOLUB, Swathmore College and LAWRENCE EDWARDS, UCT

- Long-run Exogeneity Between Saving and Investment: Evidence from SA

KEVIN S NELL, National Treasury

- Trade Policy Development in a Coherent Macroeconomic Framework

XAVIER CARIM, **the dti**

Focus on Facts

- A Snapshot of Industry-wide Trends in Exports, 1991-2001

DONALD ONYANGO, TIPS

Volume 26, June 2003

Special Focus: TIPS Conference on Privatisation, Competition and Regulation in SA



- The Triumph and Tragedy of Human Capital: Foundation Resource for Building Network Knowledge Economies

WILLIAM H. MELODY, University of the Witwatersrand

- Efficiency and Road Privatisation: Bidding, Tolling and the 'User Pays' Principle

ANTHONY LEIMAN, UCT

- Economic Regulation of Water

ROLFE EBERHARD, Palmer Development Group

Focus on Facts

- A Review of the Changing Composition of the SA Economy

DONALD ONYANGO, TIPS

Volume 27, September 2003

Special Focus: TIPS/DPRU Forum 2003

- The SA Economy Since Democracy: Sustainable Solutions Needed for Economic Growth and Development

TREVOR MANUEL, SA Minister of Finance

- The Next Decade in SA: Challenges for Ensuring Welfare-Enhancing Growth

ALAN HIRSCH, The Presidency and NEVA MAKGETLA, Cosatu

Features

- Tanzania's Privatisation Programme Outpaces SA

REG RUMNEY, The BusinessMap Foundation

- *SMME Series*: The Economic Rationale for SMME Promotion in SA

TIPS

- *WTO Watch*: Central Issues Around Cancún

KENNEDY MBEKEANI, Bidpa

Focus on Facts

- SA's GDFI and Capital Stock Show Modest Growth

DONALD ONYANGO, TIPS

Volume 28, December 2003: Unlocking the Benefits of Trade Policy

Special Focus

- SA Trade at a Glance

MMATLOU KALABA, TIPS

- Editorial: Unlocking the Benefits of Trade Policy

STEPHEN HANIVAL, TIPS

Features

- NTMs: The Bigger Picture for SA and Southern Africa

RON SANDREY, New Zealand Ministry of Foreign Affairs and Trade

and Trade

- KZN Trade with the Rest of the World Post-1994: Emerging Trends

MYRIAM VELIA and IMRAAN VALODIA, University of Natal

- Is the Public Sector Crowding out an Appropriate Analytical Framework for the Liberalising Economy of SA?

ROB DAVIES, University of Zimbabwe and DIRK VAN SEVENTER, TIPS

- *SMME Series*: The SMME Sector – A Real Wage Rate Growth for SA Manufacturing by Size Class: '72-'96

DIPAK MAZUMDAR, University of Toronto and DIRK VAN SEVENTER, TIPS

- *WTO Watch*: Cancún: Crisis or Catharsis

BERNARD HOEKMAN, The World Bank

Focus on Facts

- Exchange Rate Appreciation and Non-gold Exports: A Mixed View

DIRK VAN SEVENTER and DONALD ONYANGO, TIPS

Southern African Update

The Southern African Update, published until June 2003 as part of the Trade & Industry Monitor, showcased pertinent economic policy issues in the region and contributed to the dissemination of information beyond SA.

Volume 17, March 2003

- An Analysis of Intra-SADC Trade

XIMENA GONZALEZ-NUNEZ, TIPS

Volume 18, June 2003

- WTO Telecommunications Negotiations: How Should SADC Countries Respond?

JAMES HODGE, UCT



TIPS – in collaboration with the Botswana Institute for Development Policy Analysis (Bidpa) – manages a southern African trade research network that provides policy support and capacity building in terms of the WTO negotiations. SATRN primarily provides analytical and technical inputs to the negotiating objectives of SADC member countries to address the frequently voiced complaint that these countries lack ownership of the WTO process.

Activities

Annual Symposium: Enhancing the Benefits for SADC Countries in the Doha Round 20-22 November 2003, Maputo, Moçambique

The Doha Round has been billed as the 'Doha Development Agenda', with a promise to place the needs and interests of developing countries at the heart of the Work Programme adopted in Doha in November 2001. This was, in part, acknowledgement that the previous rounds did not take into account the interests of developing countries. However, the failure of the mid-term review of the Doha Round to agree on principles for starting negotiations should be of concern to those who billed Doha the Development Round.

The Symposium attempted to address three key questions around the Doha Round which are of importance to the SADC region:

- Can the Doha Round live up to its development promise?
- What important actions should be taken in the Doha Round that could be of benefit to SADC countries?
- If there is no progress in the negotiations, is the region going to be better off or worse off?

The Symposium's objectives were to determine the input policy-makers should provide to enhance the benefits for SADC countries in the negotiations. To achieve this goal, the way forward was identified as follows:

- Come up with ways in which the SADC countries can positively contribute to reviving the negotiations after the failure to reach consensus in Cancún.
- Identify the kind of structure that the WTO can provide within which developing countries can prosper.
- Identify important actions which should be taken for the SADC countries to benefit from the Doha Round of negotiations.

Participants to the Symposium included SADC Geneva-based Ambassadors and negotiators, SADC capital-based senior officials, researchers from the SADC region, senior officials from the SADC Secretariat, and international experts from the United Nations Conference on Trade and Development (Unctad), the World Bank, the WTO, the UN Food and Agriculture Organisation (FAO), the UN Development Programme (UNDP) and IDS-Sussex.

The SATRN Symposium 2003 was sponsored by USAID Regional Centre for southern Africa.

Pre-Cancún Preparatory Meeting 2-3 July 2003, Gaborone, Botswana

Senior policy-makers, officials from the SADC Secretariat, Geneva- and Brussels-based ambassadors, SATRN researchers, regional trade experts and international trade experts from the World Bank, Unctad, the WTO and FAO participated in the preparatory meeting to assist policy-makers in preparing for the Cancún WTO Ministerial Meeting.

The objective of the meeting was to review progress made on the Doha Work Programme and to identify key areas of agreement and disagreement in the various proposals submitted by member states, as well as ways in which progress can be made in areas of disagreement.



Publications

Newsletters

SATRAN Bulletin Number 2 January 2003

- WTO Telecommunications Negotiations: How Should SADC Countries Respond?

JAMES HODGE, UCT

SATRAN Bulletin Number 3 October 2003

- Cancún: Crisis or Catharsis?

BERNARD HOEKMAN, The World Bank

Working Papers

SATRAN Working Paper No. 2, January 2003

- Botswana Financial Services

MAGDELINE GABARAANE, Bidpa

SATRAN Working Paper No. 3, January 2003

- Botswana Telecommunications Services

MONNANE MONNANE, Bidpa

SATRAN Working Paper No. 4, April 2003

- Construction and Related Services in Botswana
GAPE KABOYAKGOSI and MARGARET SENGWAKETSE,
Bidpa

SATRAN Working Paper No. 5, April 2003

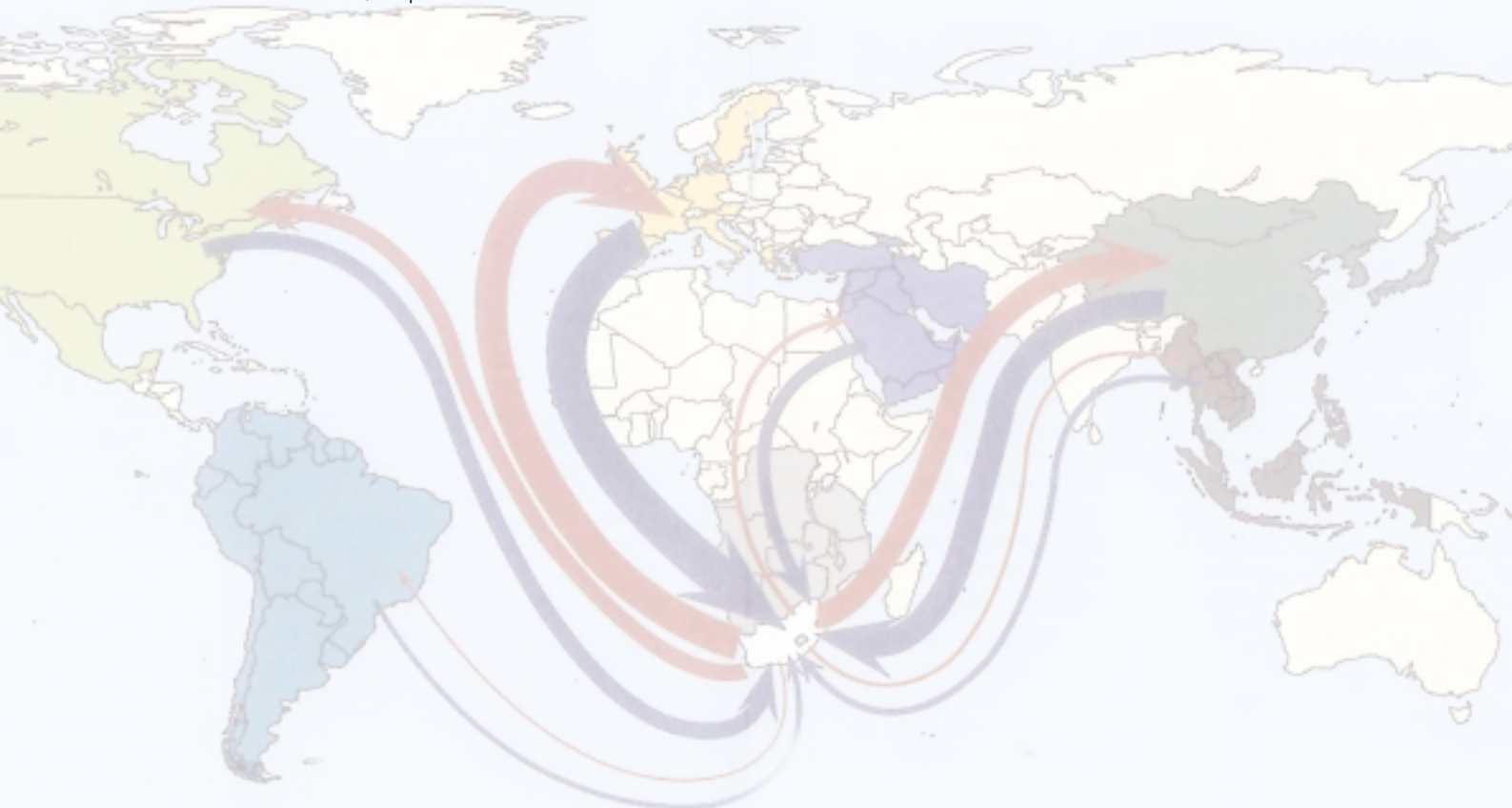
- Air and Road Transport in Botswana

GAPE KABOYAKGOSI, Bidpa

SATRAN Working Paper No. 6, October 2003

- Extension of the Additional Geographical Indications for Wines and Spirits to Other Products: Developing a SADC Position

FELIX MAONERA, Councillor: Permanent Mission of the Republic of Zimbabwe



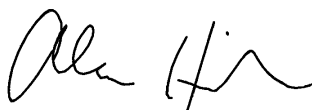
ANNUAL FINANCIAL STATEMENTS

DIRECTORS' APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements for the year ended 31 December 2003 as set out on pages 26 to 35 were approved by the board of directors on 2 July 2004 and are signed on its behalf by:



Stephen Hanival (Executive Director)



Alan Hirsch (Director and Chairperson)

CONTENTS

Report of the Independent Auditors	26
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Detailed Income Statement	35

ANNUAL FINANCIAL STATEMENTS

REPORT OF THE INDEPENDENT AUDITORS

To the members of Trade and Industrial Policy Strategies (TIPS)

We have audited the annual financial statements of Trade and Industrial Policy Strategies (TIPS) set out on pages 27 to 34 for the year ended 31 December 2003. These financial statements are the responsibility of the directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with Statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- Assessing the accounting principles used and significant estimates made by management; and
- Evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the company at 31 December 2003, and the results of its operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act in South Africa.



KPMG Inc.

*Chartered Accountants (SA)
Registered Accountants and Auditors*

Johannesburg
2 July 2004

ANNUAL FINANCIAL STATEMENTS

DIRECTORS' REPORT

for the year ended 31 December 2003

The directors present their annual report, which forms part of the audited annual financial statements of the company for the year ended 31 December 2003.

Business 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' responsibilities

We accept responsibility for the preparation of the financial statements and the company's auditors are responsible for reporting thereon.

In our opinion, adequate accounting records are maintained and an effective system of internal control is in operation. Appropriate accounting policies supported by reasonable and prudent judgements and estimates have been used.

The company has adhered to the requirements of South African Statements of Generally Accepted Accounting Practices and we subscribe to the principles of the Code of Corporate Practices and Conduct.

Review of operations

The results of the company and the state of its affairs are set out in the attached financial statements and do not, in our opinion, require any further comment. We have no reason to believe that the business will not be a going concern in the year ahead and no material event or circumstance has occurred between the balance sheet date and the date of this report.

Directors

The members of the board of directors in office at the date of this report are –

A Hirsch	
M Holden	
T Matona	
S Hanival	(appointed 1 July 2003)
R Cassim	(resigned 1 July 2003)

Secretary

I Juszkievicz

Business address Postal address

Ground Floor	P.O. Box 87643
Bröll Place	Houghton
Sunnyside Drive	2041
Sunnyside Park	
Parktown	
2193	

ANNUAL FINANCIAL STATEMENTS

BALANCE SHEET

at 31 December 2003

	Note	2003 R	2002 R
Assets			
Non-current assets			
Furniture and equipment	2	155 678	52 780
Current assets			
Accounts receivable	3	102 131	1 565 078
Cash and cash equivalents		7 185 564	5 434 766
Total assets		7 443 373	7 052 624
Funds and liabilities			
Accumulated funds			
Project funding	4	6 121 668	6 464 736
Fixed asset funding	1.7	155 678	52 780
Current liabilities			
Accounts payable		1 166 027	535 108
Total accumulated funds and liabilities		7 443 373	7 052 624

ANNUAL FINANCIAL STATEMENTS

INCOME STATEMENT

for the year ended 31 December 2003

	2003 R	2002 R
Funds received	7 056 103	12 662 754
Grants received	6 012 061	12 334 678
Interest received	388 246	61 750
Consultancy fees	551 825	266 326
Sundry income	103 971	-
Expenditure	7 296 273	8 807 439
Projects	5 012 347	6 796 686
Administration	2 283 926	2 010 753
(Over) / unexpended project funding for the year	(240 170)	3 855 315

ANNUAL FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN FUNDS

for the year ended 31 December 2003

	Project funding R	Fixed assets funding R	Total R
Balance at 31 December 2001	2 623 492	38 709	2 662 201
Unexpended project funding	3 855 315	–	3 855 315
Transfer to fixed assets	(14 071)	14 071	–
Balance at 31 December 2002	6 464 736	52 780	6 517 516
Over-expended project funding	(240 170)	–	(240 170)
Transfer to fixed assets	(102 898)	102 898	–
Balance at 31 December 2003	6 121 668	155 678	6 277 346

ANNUAL FINANCIAL STATEMENTS

CASH FLOW STATEMENT

for the year ended 31 December 2003

	Note	2003 R	2002 R
Cash generated by operations	7	1 536 674	2 608 596
Interest received		388 246	61 750
Net cash inflow from operating activities		1 924 920	2 670 346
Cash flows from investing activities			
Acquisition of furniture and equipment		(174 122)	(32 627)
Increase in cash and cash equivalents		1 750 798	2 637 719
Cash and cash equivalents at beginning of the year		5 434 766	2 797 047
Cash and cash equivalents at end of the year		7 185 564	5 434 766

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003

1. Accounting policies

The financial statements incorporate the following principal accounting policies set out below, which are consistent with those adopted in the previous financial year.

1.1 Basis of preparation

The annual financial statements are prepared on the historical cost basis, except where otherwise stated.

1.2 Grants received

Grants received are recognised at the earlier of when funding is paid to the organisation or the right to receive payment is established within the financial reporting period. Expenditure incurred directly by funders in pursuit of the activities of the organisation is not reflected as contributions to nor expenditure by the organisation.

1.3 Furniture and equipment

Furniture and equipment are stated at historical cost less accumulated depreciation and are depreciated on the straight line basis on the cost of the assets over their estimated useful lives.

Surplus (deficits) of the disposal of furniture and equipment are credited (charges) to income. The surplus or deficit is the difference between the net disposal proceeds and the carrying amount of the asset.

1.4 Impairment

The carrying amount of assets is reviewed at balance sheet date to determine whether there is any indication of impairment. If there is any indication of impairment, the assets' recoverable amount is estimated. The recoverable amount is the higher of its net selling price and its value in use. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

1.5 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, and deposits held on call with banks, all of which are available for use by the company unless otherwise stated.

1.6 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate of the amount of the obligation can be made.

1.7 Fixed assets fund

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 fixed assets are transferred to unexpended funds.

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003 (continued)

2. Furniture and equipment

	Depreciation rate	Cost	Accumulated depreciation	Net book value
	%	R	R	R
2003				
Furniture and fittings	16,7	20 917	3 551	17 366
Computer equipment	33,3	228 200	89 888	138 312
		249 117	93 439	155 678
2002				
Furniture and fittings	16,7	13 173	988	12 185
Computer equipment	33,3	61 823	21 288	40 595
		74 996	22 216	52 780

Furniture and equipment can be reconciled as follows:

	Furniture and fittings	Computer equipment	Total
	R	R	R
2003			
Carrying amount at beginning of year	12 185	40 595	52 780
Additions	7 744	166 378	174 122
Depreciation	(2 563)	(68 661)	(71 224)
Carrying amount at end of year	17 366	138 312	155 678
2002			
Carrying amount at beginning of year	1 198	37 511	38 709
Additions	11 905	20 722	32 627
Depreciation	(918)	(17 638)	(18 556)
Carrying amount at end of year	12 185	40 595	52 780

3. Accounts receivable

	2003	2002
	R	R
Donors	47 418	1 462 612
Staff loans	–	603
South African Revenue Service	26 637	101 863
Other	28 076	–
	102 131	1 565 078

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003 (continued)

	2003 R	2002 R
4. Project funding		
Project funding comprises the unexpended project funding at the end of the year that is to be used against future project expenditure.		
5. Directors' emoluments		
For executive services to the company whilst in office as director.	<u>574 778</u>	<u>211 989</u>

6. Taxation

No provision has been made for South African normal tax because Trade and Industrial Policy Strategies (TIPS) has been approved as a public benefit organisation in terms of Section 30 of the Income Tax Act (the Act) and its receipts and accruals are exempt from income tax in terms of Section 10(1)(CN) of the Act.

7. Notes to cash flow statement

	2003 R	2002 R
Cash generated by operations		
(Over) / unexpended funds for the year	(240 170)	3 855 315
Adjustments for		
-- depreciation	71 224	18 556
-- interest received	(388 246)	(61 750)
(Deficit) / surplus funding before working capital changes	<u>(557 192)</u>	<u>3 812 121</u>
Decrease / (increase) in accounts receivable	1 462 947	(1 007 654)
Increase / (decrease) in accounts payable	630 919	(195 871)
	<u>1 536 674</u>	<u>2 608 596</u>

ANNUAL FINANCIAL STATEMENTS

DETAILED INCOME STATEMENT

for the year ended 31 December 2003

	Note	2003 R	2002 R
Funding		7 056 103	12 662 754
Grant received		6 012 061	12 334 678
Interest received		388 246	61 750
Consultancy fees		551 825	266 326
Sundry income		103 971	–
Expenditure		7 296 273	8 807 439
Projects		5 012 347	6 796 686
Audit fees		7 500	–
Bank charges		8 637	14 055
Consulting fees		2 964 539	3 881 413
Employment costs		645 530	1 020 678
Equipment		18 497	63 871
Office supplies and expenses		38 449	31 170
Printing and publications		425 651	548 493
Seminars, meetings and conferences		217 237	414 851
Small grants and scholarships		10 000	20 150
Telephone		22 635	24 240
Training		121 623	184 210
Travel		532 049	593 555
Administration		2 283 926	2 010 753
Audit fees		96 000	71 000
Bank charges		13 527	21 497
Computer maintenance		45 742	–
Consulting fees		175 525	269 996
Data communications		56 559	51 254
Depreciation	2	71 224	18 556
Employment costs		1 212 945	734 064
Equipment		54 632	79 909
Insurance		43 246	62 477
Office rental and security		245 344	199 337
Office supplies		70 863	77 415
Periodicals and subscriptions		2 480	10 279
Printing and publications		30 334	31 149
Seminars, meetings and conferences		17 814	8 687
Telephone		63 054	69 304
Training		6 151	11 841
Travel		60 715	270 856
Vehicle operations and maintenance		17 771	23 132
(Over) / unexpended project funding for the period		(240 170)	3 855 315

ANNUAL FINANCIAL STATEMENTS

INCOME STATEMENT BY SOURCE

for the year ended 31 December 2003

Funders / Projects		DFID		DPRU		IISD		IDRC		GTZ		USAID		Totals
		SA Trade and Poverty Programme	SA Trade and Poverty Programme	Lesotho Trade and Poverty Programme	Lesotho Trade and Poverty Programme	Van Lemep	Research in Energy Services	Trade Knowledge Network	SAIRN	Senior Fellowship Expenses	Core	Enhancing the International Competitiveness of SA	Economic Analysis Capacity Development for SADC	
Funding		51 919	51 919	-	86 818	187 916	-	2 081 973	4 211	1 165 813	1 147 794	1 292 919	7 056 104	
Grants			51 919		86 818	184 826		2 081 973		1 165 813	1 147 794	1 292 919	6 012 062	
Consultancy fees													551 825	
Interest						3 090							388 246	
Other							4 211						103 971	
Expenditure		85 672	(781 656)	17 938	86 818	102 793	6 953	1 529 670	37 889	3 034 525	1 833 678	1 270 770	7 225 050	
Expenditure - direct		79 192	(784 171)	17 938	25 427	85 044	-	1 529 670	37 889	3 034 525	1 498 972	913 878	7 225 050	
Expenditure - allocated		6 480			61 391	17 749	6 953				334 706	356 892		
Equipment			-					(3 772)		50 217	-	127 677	174 122	
Unexpended Funding		(33 753)	3 098 861	(17 938)	-	85 123	(26 534)	1 519 185	47 972	588 273	864 639	(4 160)	6 121 668	
For the period		(33 753)	1 818 397	(17 938)	-	85 123	(6 953)	552 303	(29 906)	(1 918 929)	(685 884)	(105 528)	(343 068)	
At the beginning of year			1 280 464				(19 581)	966 882	77 878	2 507 202	1 550 523	101 368	6 464 736	



CONTACT DETAILS

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Registered Accountants and Auditors

BANKERS

Nedbank

POSTAL ADDRESS

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REGISTERED OFFICE

Ground Floor, Broll Place, Sunnyside Drive, Sunnyside Park, Parktown, 2193

LEGAL STATUS

TIPS is incorporated in South Africa as a Section 21 Company
(Registration No: 2001/012247/08)

DONOR SUPPORT



Deutsche Gesellschaft für
Technische Zusammenarbeit (GTZ) GmbH

