

Annual *2007* report



TIPS
TRADE & INDUSTRIAL POLICY STRATEGIES



indigenous growth

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executive director's overview

The 2007 financial year represents another milestone year in Trade and Industrial Policy Strategies' (TIPS') history with the continuation of its recent growth trajectory. Our network of researchers and partner organisations has increased, especially outside of South Africa, and our policy influence now extends to policy themes where TIPS previously did not have a voice. This is demonstrated by the steady flow of requests from government departments and officials across South Africa and increasingly across the Southern Africa region.

This financial year also saw the structuring of a strategic relationship with the Making Commodity and Service Markets Work for the Poor (ComMark) Trust. ComMark is funded by the UK's Department for International Development (DFID) with a mandate to undertake both policy and implementation functions to enhance market development in Southern African Development Community (SADC) member states to the benefit of the poor. TIPS' role in ComMark is as management agent and we thus provide high-level strategic guidance and manage the day-to-day operations of the Trust through the provision of 50% of the Executive Director's time.

I am pleased to report that both TIPS and ComMark staff have accepted this arrangement in good spirit and have provided excellent support during what has been a difficult but exciting period in the two organisations' development.

TIPS' grant administration and management capabilities have always been excellent and this capacity has been influential in convincing DFID to contract two large projects to TIPS. Both projects are innovative and are at the nexus of policy development and implementation.

The Community Work Programme is a pilot developed in response to evaluations of South Africa's public employment programmes. These evaluations found that limited-duration public employment programmes could have significant unintended consequences which reduce the effectiveness of public employment in alleviating poverty and assisting participants to find long-term employment.

The Community Work Programme is piloting an approach to public employment which provides medium-term employment of one day per week. This allows for a longer term income stream, thereby assisting participants to manage their finances more effectively as they receive a stable income stream, and allows them to continue to look for permanent employment throughout their public work employment period.

The Second Economy project entails a wide-ranging review of the informal sector in South Africa and the development of a strategy to enhance its contribution to economic growth and poverty alleviation. The project is housed at the South African Presidency and is expected to play an influential role in assisting government to develop policy approaches and interventions which will enhance the contribution of this – often unseen – part of the economy to poverty alleviation and economic development.

In addition, TIPS was chosen to implement the Southern African Development Research Network (SADRN) programme of our core donor, Canada's International Development Research Centre (IDRC). This important initiative seeks to establish three Thematic Working Groups in the region to build capacity, engage policy-makers in evidence-based policy assessment and development, and strengthen the limited institutional capacity in research organisations across Southern Africa.

In this financial year, TIPS hosted a launch workshop and we were pleased to find a large number of individuals and institutions excited about becoming involved in the initiative. Although progress in SADRN has generally been slower than expected, we believe that the TIPS team will be able to accelerate progress substantially in 2008.

Our relatively new Economic Regulation programme has also begun to take shape and is rapidly being seen as an important source of independent technical expertise. This is demonstrated by the request to participate in an Organisation for Economic Co-operation and Development (OECD) review of South Africa's regulatory environment. The final report will be released in 2008.

In addition, the Economic Regulation programme was approached by Genesis Analytics – a leading economic research consultancy – in late 2007 to contribute to the South African Presidency's review of regulatory frameworks. Informed by this work, the programme will in 2008 focus on developing a concept paper detailing the viability of establishing a 'super-regulator' in South Africa with a mandate to regulate across entities instead of the current practice of establishing sector regulators. I believe that this 'blue sky' research will fulfil an important element of TIPS' 'public good' function.

Capacity building is another key area of work for TIPS and the programme has undertaken significant work in developing a basic and intermediate training course in this important area. The provision of training will begin in 2008.

TIPS continues to be seen as an important partner of national government departments in South Africa. In this financial year, the Executive Director was approached to be a part of the Department of Trade and Industry's (the dti's) Trade Policy Reference Group. The Trade Policy Reference Group – chaired by the Honourable Deputy Minister Rob Davies – was tasked with developing a Trade Policy for South Africa. TIPS' contribution has been a combination of the kind of technical support that TIPS is renowned for, as well as signaling new dimensions

to trade policy, including strengthened trade facilitation support within the Department.

Although we have limited capacity in the field of industrial policy and sector strategy development, TIPS was nonetheless approached to co-author a paper for the South African Presidency assessing the impact of South Africa's industrial policy since 1994. In addition, we were also requested to co-ordinate and contribute papers to a wide-ranging review of the performance and constraints to growth of 10 sectors of the South African economy. These papers were workshopped with the Presidency in mid-2007 and we believe that this research will have provided interesting insights into what drives key sectors of the economy and what constrains their further growth.

Although TIPS' influence amongst academics has waned somewhat, we are pleased to be able to report that other organisations – both public and to some extent private – have increasingly taken on this role. The 'market failure' which TIPS was addressing in its early years has to a large extent now been corrected and a vibrant conference 'calendar' is enthusiastically provided by universities and quasi-government institutions such as the Human Sciences Research Council. Whilst the need for an annual conference may have declined somewhat, we see a definite need for a monthly seminar series and we will be starting this in early 2008.

These projects and TIPS' continued focus on systematic reviews of key economic policies such as trade, industry and economic regulation demonstrate that we remain very much a key partner of government and the labour constituency in South Africa in terms of policy, advocacy and increasingly piloting of innovative initiatives focused on poverty alleviation.

The increased demand for TIPS research and project management has resulted in the need for us to think more systematically about the management requirements at the organisation. I am therefore particularly pleased to be able to report that we have been able to recruit two outstanding individuals to serve as Deputy Directors. Both possess excellent academic credentials and without their unwavering support and enthusiasm, management of TIPS' wide portfolio of work would have been impossible. Unfortunately, TIPS also bid farewell to a longstanding staff member in 2007.

Amanda Ryland, TIPS' assistant accountant, left the organisation during the year. Amanda – who had become synonymous with the TIPS Annual Forum – was an exceptional staff member who will be sorely missed. She started her career at TIPS as a receptionist in 1997 and rapidly worked her way through the organisation's ranks. Her capacity for robust debate as well as her willingness to get the job done – often at personal expense – made working with her a pleasure. I am proud that TIPS played no small part in her professional development and am confident that she will be a person to watch in whatever field she applies her mind to.

I would like to take this opportunity to thank our donors and especially the IDRC, the TIPS chairman, directors, members and staff for their support and contribution during this milestone year in TIPS' development.



Stephen Hanival – Executive Director

1 October 2008

profile

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.

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.
- Building 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

We are active in both the South African and Southern African economic policy arenas and co-ordinate 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
- Department of Trade and Industry
- SADC Secretariat
- Southern African Customs Union (SACU) Secretariat
- Congress of South African Trade Unions (COSATU)
- Department of Agriculture
- Department of Transport
- Department of Public Enterprises
- Department of Minerals and Energy

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
- United Nations University World Institute for Development Economics Research (UNU-WIDER)
- Cornell University
- Institute of Development Studies (IDS), University of Sussex
- International Trade Centre (ITC)
- Trade Law Centre for Southern Africa (Tralac)
- South African Institute of International Affairs (SAIIA)
- Development Policy Research Unit (DPRU)
- Universities of the Witwatersrand, Cape Town, Pretoria, KwaZulu-Natal and Stellenbosch

organisational structure



staff

TIPS has grown into an organisation of 16 full-time staff members and a part-time Financial Manager. Of these 16 staff members:

- Nine are economists
- Three are technical staff – the information manager, financial manager and IT manager
- Four are administrative support staff.

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 and the IDRC-funded Southern African Development Research Network. TIPS in 2007 also appointed two deputy directors, both experienced trade economists, to manage our significantly expanded research activities, and re-established our economic regulation research programme, with a senior economist who engages actively with the Department of Minerals and Energy, the National Energy Regulator and other policy-making bodies and individuals at the helm.

In addition, development specialist Kate Philip (previously at DFID South Africa) has been seconded from TIPS to the Presidency to manage the Second Economy Strategy Project. The project has been developed by TIPS at the request of the Presidency. TIPS project manages the implementation of the project, while

the Presidency provides policy oversight. The purpose of the project is to contribute to reducing poverty and inequality in South Africa by supporting the government to develop a Strategy for the Second Economy, as part of its Accelerated Shared Growth Initiative of South Africa (Asgi-SA), located in the Presidency. Asgi-SA's target is to halve poverty and unemployment in South Africa by 2014.

TIPS continues to provide public good-related services. 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.

board of directors and members

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.

directors

Alan Hirsch (Chair)	The Presidency
Jorge Maia	Industrial Development Corporation (IDC)
Merle Holden	University of KwaZulu-Natal
Stephen Hanival	TIPS
Tshediso Matona	the dti

members

Lael Bethlehem	Johannesburg Development Agency
Leslie Maasdorp	Goldman Sachs International
Rashad Cassim	University of the Witwatersrand
Ravindra Naidoo	the dti
Shirley Robinson	Independent consultant
Simon Roberts	Competition Commission
Stephen Yeo	Centre for Economic Policy Research

audit committee

The audit committee is a committee of the Board of Directors. Its primary function is to assist the Board in fulfilling its oversight responsibilities by overseeing the accounting, internal control and financial reporting processes, and the audit process of the company.

members

Rob Lewis (Chair)	Independent external chartered accountant
Alan Hirsch	The Presidency
Merle Holden	University of KwaZulu-Natal



research

Our research themes in the medium term therefore include:

- Trade policy
- Sector analysis
- Economic regulation of public sector reform
- Informal sector innovation
- Piloting new approaches to public employment.

Our cross-cutting themes include:

- Southern African Trade Development Network
- Economic modelling
- Capacity-building
- Academic data access and training.

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:

- Project conceptualisation and design
- Management and implementation of projects and programmes
- Economic and econometric research and analysis
- Training and capacity development.

trade policy

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.

TIPS is pleased to report that its Executive Director was invited to become a member of the Trade Policy Reference Group, chaired by the Deputy Minister of Trade and Industry, the Honourable Rob Davies. Under the auspices of the Reference Group, TIPS was invited to prepare a paper assessing South Africa's trade policy, and trends in the structure and patterns of trade performance. This paper and a series of interactions with the Reference Group led to the development of South Africa's trade policy position paper, which is currently out for stakeholder consultation.

Moreover, the trade policy team at TIPS was requested to submit a paper to the Presidency's 15-Year Review process assessing the outcomes of South Africa's trade policy of the last 15 years, to be published in 2008.

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 free trade agreements (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 Computable General Equilibrium (CGE) model which allows 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

research programmes 2007

In the course of reviewing the impact of our activities, we have considered 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 decided to broaden its thematic areas in a functional sense and introduced three cross-cutting activities which we believe are assisting us in integrating the work of TIPS more effectively.

funded as a 'public good' and was partially made available on the TIPS website, allowing other researchers to draw on the organisation's work and extend the analysis and methodological innovations further. Numerous requests for this CGE model from researchers from as far as Iran prompted us to make available a full working version of the model towards the end of 2007, updating and adjusting the model documentation and including a micro-simulation poverty module. This model is fast becoming people's first port of call when they do recursive modelling.

TIPS is also addressing a number of other research questions in the field of 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 Payment (BoP) imbalances and secondly, the economy has limited employment creation (low skill) potential except for manufacturing.

TIPS is therefore 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 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 transnational 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.

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.

southern african trade development

As one of AusAID's local, South Africa-based partners for its African Governance Facility Programme, TIPS in 2007 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 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.

More than 1,300 users having signed up since the database was launched online in March 2006.

Linked to this issue, to address the relatively low levels of analytical capacity in countries in the region, TIPS hosted various capacity-building workshops and data training courses during 2007, notably in Botswana, Zimbabwe, Namibia and South Africa, eliciting extremely positive responses from the more than 80 participants from the region.

Much of the work of the Economic Partnership Agreement (EPA) unit at the SADC Secretariat was directly based on the trade – and more lately tariff – data available from the Southern African Trade Database, which 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. As the Trade Per-

formance Review entered its third year of publication in 2007, the format of the Review was amended slightly to enhance its policy relevance for the region. Whilst previously the Review analysed trade developments for all the SADC member states, in 2007 a smaller subset of SADC countries was selected for review, with the analysis complemented by additional chapters on specific topics – EPAs and non-tariff barriers – by leading policy experts.

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.

The Briefs provide users with a descriptive understanding of a market's size (value and growth rates) and shape (largest consumers and dominant suppliers). This information is used to identify potential export markets for a product and SADC farmers'/producers' potential competitors in a market.

The Briefs also have a practical side, addressing issues around gaining access to a market, such as tariff and non-tariff barriers, and touting possible solutions that SADC farmers/producers could use to create a workable export strategy or overcome either a supply- or demand-side constraint. 16 Trade Information Briefs have been published between 2005 and 2007, focussing on products such as fruit and vegetables, cut flowers, organic produce, vegetable fibres, aquaculture, spices, furniture and other wood products, leather and essential oils.

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 has been undertaking a medium-term programme of research in this area which assists government to develop economic strategies that have at their core economic, and not only industrial, development. Improving the understanding of service sector dynamics is a crucial pre-condition to South Africa's successful involvement in General Agreement on Trade in Services (GATS) negotiations.

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, communication, health, financial and transport services – to better understand their potential role in alleviating poverty and supporting economic growth in South Africa. In compiling the reports, face-to-face interviews were conducted with a cross-section of representatives of public and private organisations, all of which have a stake in the negotiations. In 2007, TIPS began concluding this work, with draft versions of the report being sent to Geneva prior to the Doha Round collapsing.

A final round of workshops – to ensure the study's output is peer reviewed and disseminated to key stakeholders, as well as to propose future concrete areas of negotiation for policy-makers – will be held in early 2008.

future trade research activities

South Africa's trade policy has undergone much change as the country approaches its second decade of democracy. Recent focus in the global sphere, and hence on the domestic front, has been on issues around trade in services and behind-the-border issues such as non-tariff measures and competition.

Trade remains an important facet of the country's economy, and although growth has improved since the 1990s when economic growth of 1% was being experienced, it is generally agreed that South Africa needs to grow its economy by more than the 5% it is averaging per annum. Increasing export growth is seen as a key objective for the country to achieve more robust growth, but of course a crucial question is how this can be done. Numerous challenges have affected South Africa's ability to realise this objective, including exchange rate volatility, a widening trade deficit and the impact of political crises plaguing African trading partners such as Kenya and Zimbabwe. Expanding infrastructure bottlenecks, for example related to maritime transport, and increasing uncertainty regarding energy supply are further limiting factors that are not part of the trade policy arena per se, but do impact on the country's ability to expand its exports. This is also linked to an important area of policy concern, which relates to how trade policy complements, and is complemented by, other economic policies, such as industrial policy, in a pragmatic way. On the bilateral and multilateral front, further difficulties have

arisen, for example, within the context of the Doha negotiations related to liberalisation in agriculture, as well as the EPA negotiations with the EU.

In recent months, however, the debate on the direction South Africa's trade policy should take has been around the age-old argument of free trade versus greater protection.

The first camp of thought believes that freer trade leads to greater competition, more efficient use of resources and hence increases in exports of goods and services in which the country has a comparative advantage. It also encourages the adoption of modern technologies from outside of South Africa, thereby enabling the country to increase production choices and value-added strategies.

The second camp believes in a more active role for the state and that protection is required to allow selected industries to grow their ability to export to such a degree that they will be able to compete effectively in global markets without such protection.

However, making the infant-industry argument for protection needs to take into account a number of issues. In particular it would be important to gauge the levels at which South African tariffs are bound so that they are at least in line with the country's multilateral commitments. And a careful assessment should be done to ensure such policy does not adversely affect poor and marginalised consumers even further. Finally, there should be clear justification for protecting a particular industry.

Electing to follow a trade stance that is more or less protective than is currently the case would require some careful strategic thinking, informed by both global and domestic experience. TIPS will attempt to unpack some of these key strategic trade policy issues.

sector analysis

In 2007 TIPS was commissioned by the Presidency to undertake a series of sector research studies to:

- Review the growth performance of 10 key economic sectors
- Assess the constraints to their growth potential
- Propose policy interventions to address these constraints
- Predict their potential to contribute to Asgi-SA objectives.

In addition, five thematic papers were also commissioned:

- An overview of the macro-economic environment (Jorge Maia, IDC)
- Industrial structure (Simon Roberts, Competition Commission)
- Investment policy (Gerhard Kuhn, IDC)
- Trade policy (Dirk van Seventer, TIPS)
- Poverty and labour markets (Morné Oosthuizen, DPRU).

development dialogue series

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

TIPS and ComMark are therefore hosting a Development Dialogue Seminar series on a monthly basis, which offers a platform to share views and ideas on specific development issues and alternative policy strategies, and focuses on a wide range of topical development issues.

The themes covered by the series span the informal economy, specific trade negotiation challenges, environmental services and energy issues. The seminar series also attempts to offer perspectives from other countries in the region and beyond. We believe that this 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.

Three seminars have been arranged for early 2008, focussing on:

- Agriculture and development: Tracy van der Heijden, a consultant at ComMark, will discuss the feasibility of and recommendations on multiple crops and local distribution models for poverty alleviation.
- Trade and development: Mareike Meyn of the Overseas Development Institute (ODI, UK) will discuss EPAs and the outstanding issues in this regard.
- Foreign direct investment, firms and domestic linkages: Glen Robbins of the School of Development Studies, University of KwaZulu-Natal, will present a number of SADC case studies.

industrial policy

TIPS was requested to submit a paper to the Presidency's 15-Year Review process assessing the outcomes of South Africa's industrial policy of the last 15 years, to be published in 2008. We were fortunate to be able to commission Dr. Zavareh Rustomjee to co-author the paper with TIPS' Executive Director.

industrial policy resource database

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.

economic regulation

During 2007, our work around economic regulation included the development of a concept note highlighting research issues and commentaries on relevant regulatory occurrences. Project-related work included research carried out on behalf of the OECD regarding regulatory frameworks in network utilities (specifically telecommunications, transport and energy) and issues around the developments in and performance of these industries and respective economic regulators in South Africa specifically. The research also considered the challenges for competition in these network utilities under the current regulatory regimes.

Economic regulation is playing a conspicuous role in utilities in South Africa and economic regulators are still being created in some areas (for example, the newly established Ports regulator) and considered in others (for example, the Rail and Water regulators). Areas of concern remain in the sphere of economic regulation, however, particularly relating to the efficiency and effectiveness of regulators, the cost (of having many regulators) versus the advantages, the differences in regulatory structures, and governance and capacity issues. State-Owned Enterprise (SOE) restructuring is

happening much slower than anticipated at first, which also makes the application of economic regulation complex, since the industry players are relatively few and dominant.

International experience with the performance of restructured industries in developed and developing economies has led to scepticism as to the success of the model (private investment and competition in non-natural monopoly segments of network utilities) of economic regulation. Some pertinent issues relate to regulatory governance and to the principles (rule of law, independence, accountability and predictability) that must be followed to ensure regulation works. Effective competition and regulation are critical to generate the welfare effects of reform.

TIPS' core research theme in the area of economic regulation will continue to address general utility regulation, while the intent is also to broaden our focus to include regional issues. In particular, research will be carried out to establish the general effectiveness of economic regulation and whether it contributes to increased economic welfare. In addition, TIPS will focus on the development of a programme to improve capacity in economic regulation across a spectrum of stakeholders. High quality economic regulation is almost impossible without the right people with good regulatory knowledge and experience.

adat

The Academic Data Access and Training (ADAT) initiative, announced in 2006, has three intended outcomes: improving the policy-analytic skills of post-graduate economics students, increasing the supply of policy-relevant research and exposing graduates to the research

methods necessary for careers in policy-making. These outcomes are to be achieved through three interventions: improving access to data, particularly for post-graduate students; co-operating with universities to provide training in data analysis for policy; and establishing a small grants programme to encourage post-graduates to undertake policy-relevant research.

Discussions about operationalising these interventions were held in late 2007 with academics at a number of Universities (Cape Town, Rhodes, Stellenbosch and KwaZulu-Natal). These discussions highlighted a number of useful considerations. There is a clear demand for all three of the proposed interventions, although the details need to be developed more fully. It is important that data services are developed on a sustainable basis and that all data are fully documented. Collaborative arrangements with other data providers to meet these objectives will be explored. There is a demand for training in data access, although the way in which this can be integrated into different university programmes makes a blanket approach difficult. Discussions are proceeding with individual universities about ways in which this can be achieved.

Renewed effort will be made in 2008 to improve interaction with historically black universities, which has proved difficult thus far.

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 with a value of up to R20,000 to encourage

post-graduate students to undertake their dissertations in areas that are relevant to TIPS and the policy community in general – both in a local and a regional context. This will hopefully increase the supply of policy-relevant research and ensure that graduates are exposed to the research questions that vex policy-makers. As part of the ADAT initiative, it is also foreseen that the small research grant component would complement the training in economic modelling.

TIPS believes that the combination of these three factors – access to data, expanded capacity-building and research grants – as well as 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.

economic modelling

TIPS has been training economists in economy-wide analysis since 2001, in co-operation with the University of Cape Town. During this time we have hosted seven courses on Economy-wide Policy Impact Analysis and seven on introductory Computable General Equilibrium Analysis, plus one advanced CGE course. About 200 people from 25 different countries have attended these courses, with two-thirds coming from South Africa. About 53% have been from the public sector, 38% from universities and research institutions, and the remaining 9% from the private sector.

Two courses were hosted in 2007: the sixth annual CGE course in March and the seventh annual Economy-wide Policy Impact Analysis course in September. 25 students participated, predominantly from South Africa. There was a noticeable increase in participants from the private sector. This reflects an increasing



awareness, particularly by banks and consulting firms, that many issues benefit from an economy-wide perspective and that there is little capacity in South Africa for providing such a perspective. When TIPS started offering these courses, we fully relied on donor funding and scholarships sourced by the organisers. They are now run on a cost-recovery basis; indeed, the most recent CGE course generated a small surplus, which will be available as seed finance for the next course. TIPS does provide support for some participants, but this is decided independently from the course.

sadrn

The Southern African Development Research Network, funded by Canada's IDRC and managed by TIPS, was launched in August 2007 and aims to bring the regional research and policy environments closer together.

This focus was informed by a policy and research scan carried out in selected countries in the region prior to the Network's establishment. The launch, attended by more than a dozen regional institutions, underscored the Network's mandate and instituted a programme of work.

Three themes have been selected as priority focus areas for research and capacity-building in the region in the short to medium term – trade in services, industrial policy and pro-poor growth. Although a number of other focus areas of regional importance have been identified, human and financial resource constraints make the Network's slightly narrower focus a prudent one, at least initially. In addition, the policy and research scan identified research initiatives already in place and addressing some of the additional focus areas; pursuing those would therefore entail a duplication of resources.

The key to SADRN's success will be active engagement of both the research community and policy-makers in an ongoing policy debate and development process.

Regional institutions will be selected to host these three themes, address the identified research and policy gaps and share their expertise with the initiative. It is also envisaged that the implementation of the research themes will facilitate institutional strengthening in the region and provide an effective channel for training and dissemination of research.

second economy strategy project and the community work programme

The term 'second economy' entered policy debate following its use in a 'Letter from the President' by Thabo Mbeki in August 2003, in which it was used to describe some of the features of inequality and structural poverty that characterise South Africa. While the concept attracted its share of criticism, it has served its purpose in drawing attention to the policy challenge of continued inequality, persistent poverty and the marginalisation of sectors of the poor. The debate that followed has helped to deepen analysis of the complex set of continuities and discontinuities, connections and disconnections, dependencies and interdependencies that link wealth and poverty in South Africa's economy, and how these are influenced by their interaction with wider global dynamics.

Such analysis is key to developing and strengthening the policy instruments and programmes government is able to use to address these complex challenges.

The Second Economy Strategy project has been developed by TIPS at the request of the Presidency. TIPS project manages the implementation of the project, while the Presidency provides policy oversight for the project.

The purpose of the project is to contribute to reducing poverty and inequality in South Africa by supporting the government to develop a Strategy for the Second Economy, as part of Asgi-SA, located in the Presidency. Asgi-SA's target is to halve poverty and unemployment in South Africa by 2014.

However, the Asgi-SA March 2007 Annual Report raised concern that without a more concerted focus on employment creation, the South African economy may still fall short of between one and two million jobs on current trends – even if growth targets are met.

Halving poverty also requires an increased focus on sustainable livelihoods for the chronically poor. The strategy for the second economy is tasked with finding ways to enhance existing policy and programmes, as well as identifying, developing and designing additional initiatives to ensure these targets are met.

A substantial Review of Second Economy Programmes in South Africa was

prepared towards the end of 2007 and presented to Asgi-SA in January 2008.

The Community Work Programme – project managed by the Second Economy Strategy Project located at TIPS – is a partnership between the Special Projects Unit of the Expanded Public Works Programme (EPWP), the Integrated Development Directorate of the Department for Social Development (DSD) and the Youth Desk in the Presidency.

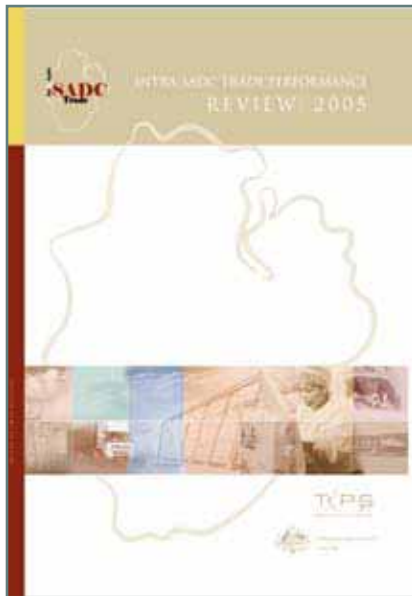
These partners are tasked, in different ways, with contributing to 'scaling up' forms of public works, special employment programmes or publically funded employment, and came together to explore approaches to this in the social sector.

A range of related issues is also investigated, such as whether there are advantages to developing a minimum employment guarantee based on weekly or predictable, regular work; how such an approach might be operationalised in the South African context and in ways that complement the community development and community-driven approaches being explored by the DSD; and what is the scope to integrate social tasks into the 'work' allocated, such as providing additional support to child-headed households.

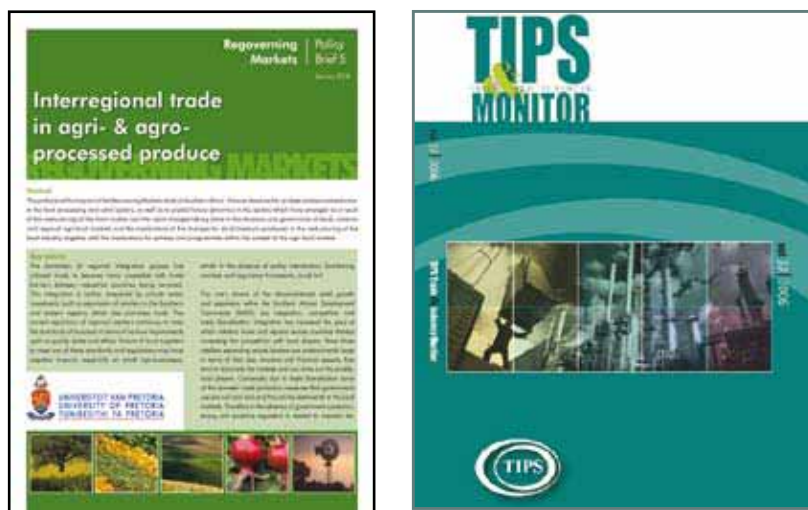


Annual *report* 2007

trade performance reviews &
trade information briefs



publications and dissemination



external publications

Draper, P., Kalaba, M. and Alves, P. (2007). Deepening integration in SADC: South Africa's international trade diplomacy: implications for regional integration, in: *Monitoring Regional Integration in Southern Africa Yearbook 2006*.

Hanival, S. and Gavera, L. (2007). Exporting and small businesses, in: *International Marketing*, S.M. Burgess and C.H. Bothma (eds), Cape Town: Oxford University Press: Southern Africa.

Kalaba, M. (2007). *Can South Africa raise its investment share? A guide to real trade and investment opportunities*. www.tradeinvestsa.co.za.

Kalaba, M. (2007). *Impact of incentives in South Africa: investment support programmes, small business development, export assistance and IDZs*. www.tradeinvestsa.co.za.

Kalaba, M. (2007). *Interregional trade in agri- and agro-processed produce*. Reviewed by Prof C Blihnaut (University of Pretoria). Regoverning Markets Policy Brief 5.

Kalaba, M. (2007). *Outcome undesirable: to what end an interim EPA*. Trade and Investment South Africa. www.tradeinvestsa.co.za.

TIPS' reputation for quality research which is not only academically sound but also policy relevant remains a key competitive advantage. 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.

The South Africa research environment has evolved significantly over the last number of 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 ad-

dition, 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

The Monitor's objective is to disseminate policy-relevant research in an accessible format to policy-makers and analysts. Carrying full-length journal articles which cover 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 distributed to almost 500 subscribers locally, in the region and internationally.

volume 38, 2007

development and poverty reduction

Can small farmers survive, prosper, or be the key channel to cut mass poverty? *Michael Lipton, Poverty Research Unit, University of Sussex.*

Trade and poverty in South Africa: the roles of the exchange rate, tariffs and import parity pricing for CPI inflation. *Eric Schaling, South African Reserve Bank Chair, University of Pretoria and Centre for Economic Research, Tilburg University.*

industrial policy

The industrial challenge facing Africa in the global trading system. *UNIDO.*

sector strategies

The South African automotive industry in a globalising world: what has happened to imports? *Anthony Black, School of Economics, University of Cape Town and Siphon Bhanisi, Department of Agriculture (Western Cape) and School of Economics, University of Cape Town.*

Cassava Trade Information Brief. *Alison Goldstuck, TIPS.*

south africa's growth trajectory

An assessment of the accelerated and shared growth initiative. *Rob Davies, University of Zimbabwe and Dirk van Seventer, TIPS.*

trade liberalisation

Integrating Africa through a SACU and COMESA FTA – speeding up the regional integration process. *Helena McLeod, DFID.*

The impact of the Asian drivers on Sub-Saharan Africa's wooden furniture industry. *Raphael Kaplinsky, IDS and Centre for Research in Innovation Management: Universities of Sussex and Brighton; and Mike Morris, School of Development Studies, UKZN and School of Economics, University of Cape Town.*

trade @ a glance

Mmatlou Kalaba, TIPS.

southern african trade development project

The AusAid-funded three-year Southern African 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 (SAMs) 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. To develop the absorptive capacity of regional policy-makers, TIPS in 2007 produced a number of accessible research publications as part of this programme.

The Intra-SADC Trade Performance Review 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 2007 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 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. TIPS compiled the overview chapter.

Print and electronic Trade Information Briefs provide policy-makers and the private sector with export intelligence regarding the potential of SADC's export basket of goods and services. Sectors and/or sub-sectors covered in 2007 include horticulture (soya beans, almonds, cassava and capsicum) and aquaculture.

Feedback on the Trade Information Service series has been very positive. In particular, the national Department of Agriculture 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 Department has also requested two training courses since the publication of the first Briefs and has requested every publication since then.

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.

TIPS donors in 2007 were:

IDRC, which supports TIPS' function as a research network support and capacity-building institution.

DFID, which provides project funding for assessment and strategy development of second economy support mechanisms, and demonstrated public employment innovation.

AusAID, which supports the Southern African Trade Development Programme at TIPS.

TIPS has built long-term relationships with a number of academic institutions and other research organisations 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.



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

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 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.

create absorptive capacity in government for applied research

TIPS strives to ensure that training courses 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.

In addition, to strengthen the delivery of policy-relevant research in the southern and eastern African region, as well as the provision of related technical support to policy-makers, TIPS now hosts the IDRC-funded Southern African Development Research Network. In the short to medium term, research efforts are focussed on industrial policy and sector development at the regional level, service sector development and the impact on poverty, and trade policy and its linkages to pro-poor growth. Implementation of these research themes provides an opportunity to bring the regional and relevant global research communities together to engage in an ongoing policy debate and development process. This process also involves institutional capacity-building and institutional strengthening in the region.



As part of DFID South Africa's support to help the South African government achieve the priorities set out in its Programme of Action, it is funding two initiatives of the Presidency, hosted at TIPS.

second economy strategy project

The purpose of this project is to contribute to reducing poverty and inequality in South Africa by supporting the government to develop a Strategy for the Second Economy, as part of Asgi-SA, located in the Presidency. Asgi-SA's target is to halve poverty and unemployment in South Africa by 2014; however, concerns have been raised that without a more concerted focus on employment creation, the South African economy may still fall short of between one and two million jobs on current trends – even if growth targets are met. Halving poverty also requires an increased focus on sustainable livelihoods for the chronically poor.

The strategy for the second economy is tasked with finding ways to enhance existing policy and programmes, as well as identifying, developing and designing additional initiatives to ensure these targets are met.

TIPS project manages the implementation of the project, while the Presidency provides policy oversight.

community work programme

The Community Work Programme is a partnership between the Special Projects Unit of the Expanded Public Works Programme (EPWP), the Integrated Development Directorate of the Department for Social Development and the Youth Desk in the Presidency to explore innovation in public employment.

These partners are tasked with contributing to 'scaling-up' forms of public works, special employment programmes or publically funded employment, and came together to explore approaches to this in the social sector.

The Community Work Programme approach is being tested at four pilot sites to investigate whether there are advantages to developing a minimum-employment guarantee based on weekly or predictable, regular work; how such an approach might be operationalised in the South African context and in ways that complement the community development and community-driven approaches being explored by the Department of Social Development; and the scope to integrate social tasks into the 'work' allocated, such as providing support to child-headed households.

The Community Work Programme is project managed by the Second Economy Strategy Project, located at TIPS.



Australian Government
AusAID

AusAID has supported TIPS since 2005 to implement a regional programme on trade-related policy research in 10 Southern African countries. Capacity-building is a core focus of the programme and so far, almost 400 policy analysts and researchers in Southern Africa have been trained in trade data manipulation and advanced trade analysis.

southern african trade database

Since 2005, TIPS researchers have travelled to SADC Member States to collect trade (and in 2007 also tariff) data and build capacity through a number of training sessions. These have particularly been aimed at empowering local researchers and policy-makers to ef-

fectively use the Southern African trade database, developed by TIPS. 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 response has been highly positive and participants have expressed a strong interest in seeing the database maintained.

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, covering product clusters of particular interest to SADC members, are basic first-cut analyses of export prospects to allow enterprises to decide whether to initiate further market research.

intra-sadc trade performance review

In-country researchers in 2007 compiled the third intra-SADC trade performance review, which analyses member states' trade performance across a range of dimensions. A special focus of this review was three thematic chapters, which analyse cross-cutting trade issues in the region, including NTBs and EPAs. The country analyses distinguish between trade with South Africa, the rest of SADC and the rest of the world to offer stakeholders 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 SADC member states import but could source from within SADC.

website and data

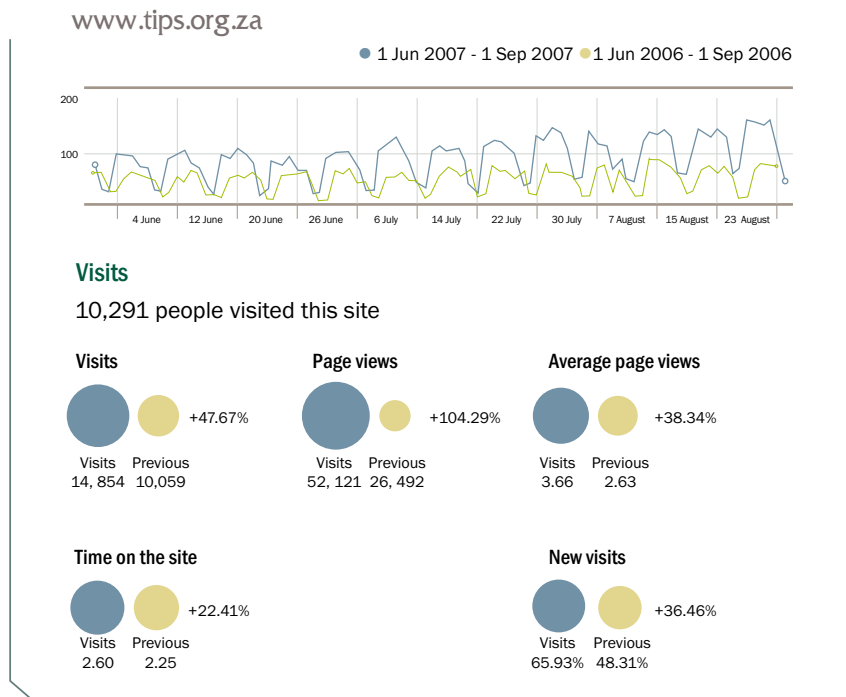
website

www.tips.org.za

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 a wide range of papers, focusing on trade, industry and regulatory issues, as well as growth and development, the informal economy and poverty, and includes reviewed working papers, conference papers and journal articles.

The provision of 'resource pages' such as the Southern Africa Trade & Poverty Programme web page, the Industrial Policy database, the Second Economy Strategy Project and the Southern African Development Research Network web pages allows researchers working in a particular field to access in-house and external literature, news briefs, methodological tools, useful links and data effortlessly. In addition, all course material, including hands-on exercises using real-world data and applications, theory and background literature, presented at our economy-wide impact analysis, CGE and trade database courses, is available on the website.

User statistics show a steady increase in website visits, paper downloads and general usage from 2006 to 2007. For example, a comparison of visitors to the TIPS website for the period June to Sep-



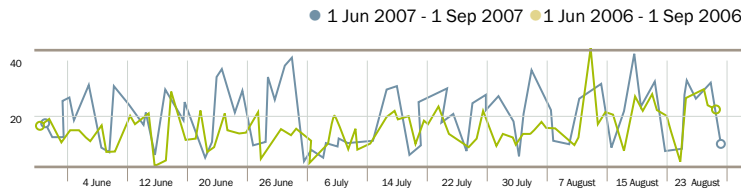
tember 2006 and the same period in 2007 shows an almost 50% increase in the number of users accessing double the number of pages in 2007. New visitors to the TIPS website also increased from 2006 to 2007, by almost 40%.

www.sadctrade.org

This site, which disseminates information around our AusAID-partnered regional trade development and capacity-building programme, also attracted positive interest during 2007. The Southern African Trade Database is one of the website's most powerful tools. Since the database was launched online in March 2006, more than 1,000 users from Southern Africa and internationally have registered and are using the data-

base on a consistent basis. The SADC Secretariat makes frequent use of the database, as does the Botswana Institute for Development and Policy Analysis (Bidpa). 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. In 2007, 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 focused on improving its reli-

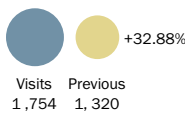
www.sadctrade.org



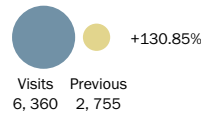
Visits

1,254 people visited this site

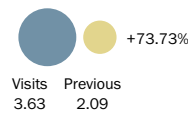
Visits



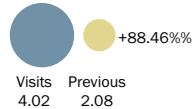
Page views



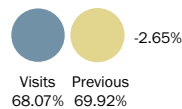
Average page views



Time on the site



New visits



The provision of the following data services is envisaged:

- 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.

TIPS already provides a range of ancillary services, for example, systematic data training, both on data dissemination and data analysis tools.

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. An increasing number of users from government departments, economic research organisations, NGOs and private companies registered for and actively used the TradeMap and ProductMap databases during 2007.

ability and strengthening our relationships with policy-makers and researchers in SADC countries so as to ensure its full use by relevant policy bodies.

Statistics on site usage for the Southern African Trade Development website shows a 30% increase in site visits for the period June to September 2007 compared to the same period in 2006, while page views on the site more than doubled over the period. The time users spent on the site also increased significantly, by almost 90%.

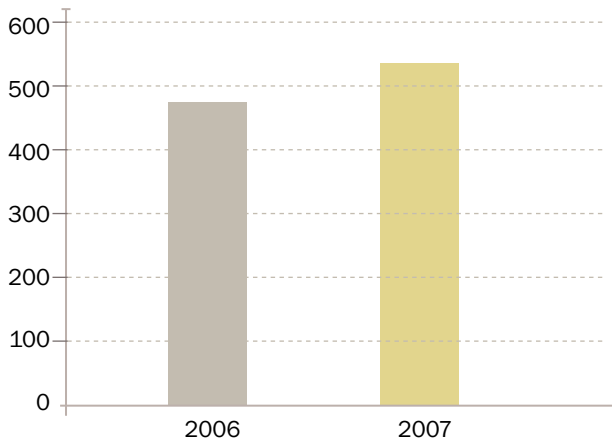
online data

For South African researchers, economic data resources have in the past been difficult to access in a useable format, and are often expensive for individuals and tertiary institutions. Therefore, providing researchers with access to economic data sources has been one of TIPS' key contributions to capacity in the field of economic research.

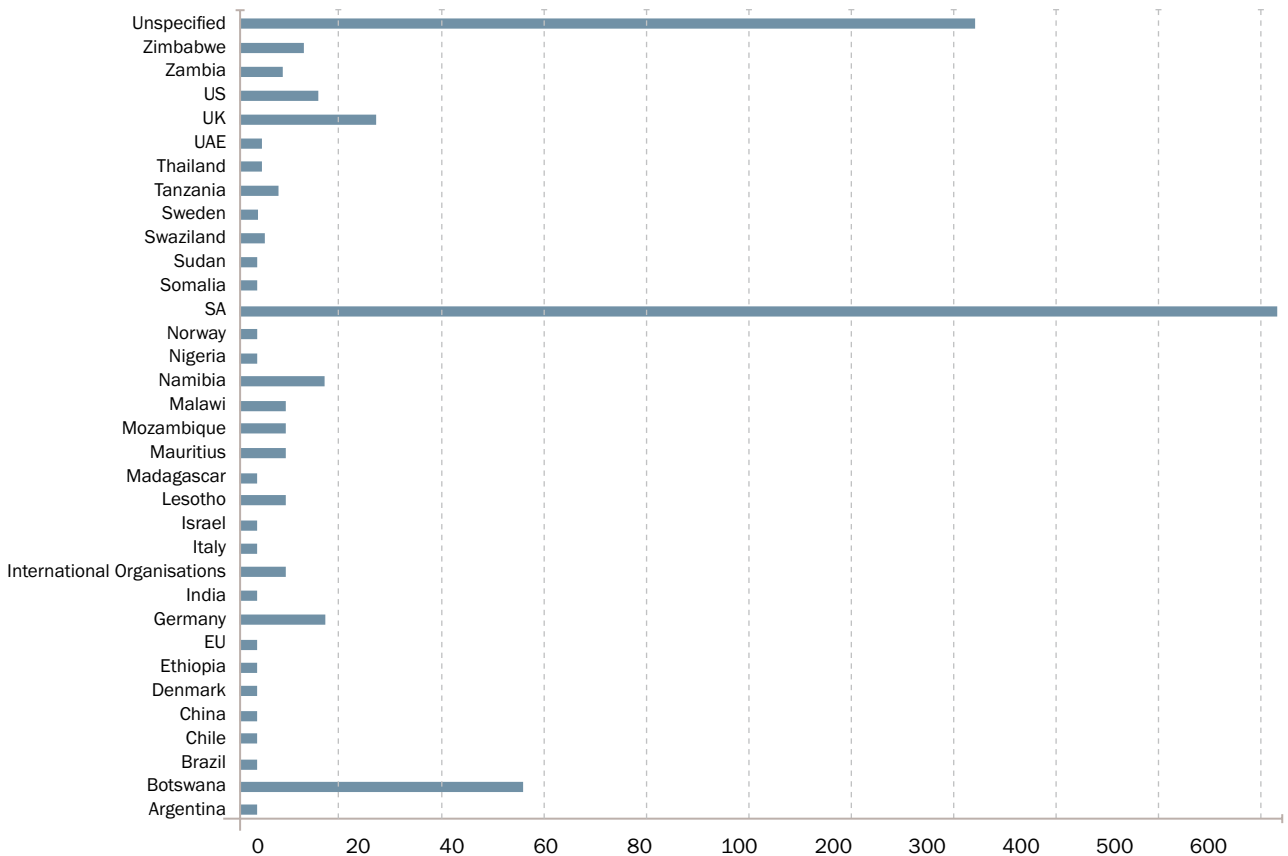
Although never formally so, TIPS has been the de facto provider of such data to a significant number of researchers and students. However, providing third-party access to data has become increasingly expensive. As a result, TIPS now only provides data to researchers collaborating on research projects with TIPS or academic researchers not working on commercial projects. However, our ADAT initiative 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. TIPS, in collaboration with other data providers and academic institutions, is currently assessing how such a data resource service can be hosted and made available most cost-effectively and sustainably.

Southern African Trade Database: number of registrations



Southern African Trade Database: number of registered user per country: 2006 - 2007





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.

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.

advanced trade analysis course: regional integration and trade performance

2-4 October 2007

The successful and rapid progression of the Eastern and Southern African integration process needs to be underpinned by comprehensive expertise from the region, including government, the private sector, non-governmental organisations and academics. Regional integration has become increasingly important and affects many countries worldwide. The importance of regional integration for Eastern and Southern African states is emphasised by the announcement of the implementation of the COMESA Customs Union in 2008, the SADC FTA in 2008 and the SADC Customs Union in 2010.

Furthermore, member states of both regional economic integration groups are expected to conclude an EPA with the EU in 2007/2008. These developments reflect a growing need to understand the impact of these integration processes and the ability to analyse the likely outcome of these agreements.

As part of TIPS' responsibilities in the region, we offered an advanced trade analysis course on regional integration and trade performance. The course covered both qualitative and quantitative material in the areas of regional integration and trade performance indicators.

Regional integration issues discussed included the following:

- Global proliferation of regional integration.
- Is regional integration logical?
- Regional integration in Southern and Eastern Africa.
- EPA processes.

Trade performance indicators included trade data, data problems and analysis, growth rates, identification of dynamic products, export diversification and changes in global demand.

introduction to economy-wide policy impact analysis

24-28 September 2007

The objective of the course was to strengthen the knowledge and analytical capacity of policy-makers, academics and researchers in the area of regional integration, with a comparative focus on Eastern and Southern Africa.

The course attempted to assess regional integration from a broader perspective and encourage participants to hone their expertise and research skills in these fields.

The course included hands-on exercises where the theory is applied using relevant economic country data.

Most economics curricula deal with macroeconomic tools for studying the economy as a whole or microeconomic tools for studying the behaviour of individual agents or markets. However, practical public and private sector economic analysts often need to focus on the industry/sector or meso level of economic activity. Key sector analysis, sectoral impact studies, and partial and general equilibrium trade and industry analysis are frequently conducted both in the public and the private sector.

Input-output (IO) and social accounting matrix analyses are used on a regular basis as tools for such meso-level economic enquiry. Researchers use these tools to analyse the impact of policy-related and other changes on the economy. Such tools can also be extended to address broader concerns, such as the impact of policy on the environment or on energy requirements. Economic modelling techniques that capture economy-wide impacts of policy changes are increasingly being used in South Africa's academic, consulting, research and policy environments.

To cater for the rising demand for these techniques, TIPS started offering a one-week introductory workshop on economy-wide policy impact analysis in 2001. The seventh offering of this popular workshop was held in Pretoria in September 2007.

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

More importantly, each lecture was followed by hands-on exercises where the theory or model is applied using economic data from South Africa and other Southern African countries where appropriate. Apart from providing practical skills needed to apply the theory, these exercises familiarised participants with key features of the South African economy. Participants also presented brief group projects using the modelling tools learnt during the workshop.

By the end of the workshop, participants were equipped with sufficient theoretical and practical skills to engage in impact analysis. The workshop also provided a useful basis for process managers who have to digest such analysis, even though they may not undertake it themselves. It also provided a solid grounding for those who wish to enter into the field of CGE modelling.



southern african development research network launch workshop

30 August 2007

TIPS launched a new development-focused research network funded by the IDRC in August 2007.

objectives of SADRN

- Increase the supply of policy-relevant research in the Southern and Eastern African region by creating a pool of suitably skilled researchers based in institutions in the region.
- Improve the policy relevance of research through growing the capacity of policy-makers to be discerning research 'users'.
- Develop an appreciation for evidence-based policy-making by engaging policy-makers in the design, specification, implementation and review of research projects.



SADRN is envisaged to add to the existing body of knowledge and resources available to countries in the region. In other words, additionality should be built into Network so that the limited research supply available is not simply diverted from another donor project to the Network. The Network will be based on the development of 'local' policy and research capacity. This is important not

only from a political-economy perspective but is crucial if the Network is to be sustainable in the long term. In order to obtain the views of key stakeholders in both the research and policy communities, TIPS hosted a launch workshop where these issues were debated in detail. The workshop also started the process of focusing the research and support activities of SADRN at a thematic level.

the cost of non-tariff barriers to business along the north-south corridor (south africa-zimbabwe) via beit bridge (saiia, busa and tips)

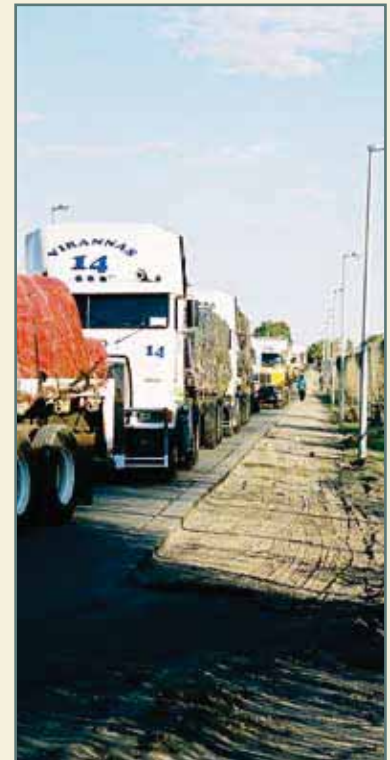
29 August 2007

Liberalisation of goods trade has enjoyed substantial advances in Southern Africa in recent years, notably through the SADC and COMESA free trade agreements. Notwithstanding ongoing problems with rules of origin pertaining to tariff concessions, tariff rates have been reduced substantially and processes have been established to liberalise and/or harmonise services trade and associated regulations.

Yet major obstacles to the actual conduct of trade remain. Both SADC and COMESA have recognised this and have established processes to address non-tariff barriers. Key to the success of those processes is identifying the most problematic NTBs, and establishing institutions to deal with them effectively.

In late 2006, SAIIA, supported by TIPS, initiated an analysis of these issues through a pilot study of South Africa-Zimbabwe trade via the Beit Bridge border post – the busiest border in Southern Africa.

This workshop discussed the interim findings of the analysis and proposed a follow-up study based on the findings of the pilot research.



basic market analysis tools for economists

17-18 July 2007

TIPS held an introductory training workshop on basic market analysis for the National Department of Agriculture in July 2007 in Pretoria. The course was based on the use of the International Trade Centre's online Market Analysis Tools – TradeMap, ProductMap and Market Access Map – in the development of South African trade and marketing strategies applicable and relevant to the agricultural sector. In addition, intermediate Excel training was used to link the ITC's tools with national analytical indicators.



zimbabwe data training, trade analysis and epa assessment workshop

2-4 April 2007



Zimbabwe is facing a variety of economic challenges, not least the fact that the availability and reliability of most of the country's economic and trade statistics are questionable. At the same time, Zimbabwe is in the midst of negotiating an Economic Partnership Agreement (alongside other Eastern and Southern African countries) with the EU, as well as meeting its obligations in terms of the Free Trade Agreement under the SADC Trade Protocol.

In the absence of accurate data it is difficult to know exactly what can be achieved – or lost – from such negotiations and agreements, and the implications for policy and related decision-making processes are hard to determine.

TIPS, in collaboration with Zimbabwe's Trade & Development Studies Centre (TRADES CENTRE), hosted a Data Training, Trade Analysis and EPA Assessment workshop, and held discussions with key institutions and officials responsible for data collection, analysis and dissemination, in an attempt to unravel some of the data problems facing Zimbabwe.

The training workshop was held at the University of Zimbabwe.

southern african trade database workshop

21 June 2007



Agriculture remains a contentious sector at multilateral negotiations, and even more so within the SACU Secretariat, and will no doubt continue to be a feature of the EPA negotiations. TIPS conducted a Southern African Trade Database workshop in Windhoek, Namibia as a follow-up to the workshop held in 2006, but this time the focus was on the updated SADC trade data and the Economic Partnership Agreement negotiations, as well as on agricultural trade by SACU members and the SADC EPA Group. The Southern African Trade Database, developed by TIPS with funding from AusAID, was used as an input to assess the implications of EPA negotiations for SACU.

economic trends study conference

6-7 June 2007

The Policy Co-ordination and Advisory Services (PCAS) policy in the Presidency conducted a study in 2007 to develop a set of analyses that can be used to understand the growth trajectory of the country, areas of concern and to establish strategically valuable information with regard to growth, competitiveness and employment creation beyond 2009.

The study had two components. The first was the collection and presentation of

key quantitative data and the computation of key coefficients and elasticities. The second component encompassed a report from a sector analyst and a theme analyst (i.e. trade, employment/unemployment, etc.) explaining the behaviour of the quantitative data, identifying future trends and identifying key possible points of intervention to improve the

performance.

The output covered all major economic areas to allow for robust discussion and debate, including macroeconomic, microeconomic and distributional issues. The intention of the study was to give us a bird's eye-view of broad trends of the economy so as to provoke discussion.



introductory course on cge modelling

8-16 March 2007

TIPS hosted a short course on CGE modelling at its offices in Pretoria in March 2007. The course was available to a limited number of 12 participants.

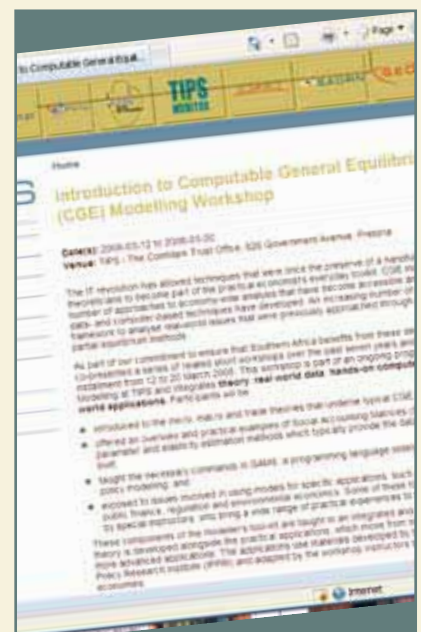
The IT revolution has allowed techniques that were once the preserve of a handful of leading theoreticians to become part of the practical economist's everyday toolkit. CGE modelling is one of a number of approaches to economy-wide analysis that have become accessible and practicable as data- and computer-based techniques have developed. An increasing number of economists use this framework to analyse real-world issues that were previously approached through less appropriate partial equilibrium methods.

As part of our commitment to ensure that Southern Africa benefits from these developments, TIPS has (co-)presented a series of related short courses over the past five years. The March 2007 course was part of this ongoing programme. The course integrated theory, real world data, hands-on computer work and real-world applications, and participants were

- introduced to the micro, macro and trade theories that underlie typical CGE models
- provided with an overview and practical examples of SAMs and of parameter and elasticity estimation methods which typically provide the data on which CGEs are built
- taught GAMS, a programming language widely used in economy-wide policy modelling
- exposed to issues involved in using models for specific applications, such as the analysis of trade, public finance, regulation and environmental economics. Some of these topics were presented by special instructors, who brought a wide range of practical experiences to the learning process.

These components of the modeller's tool-kit were taught in an integrated and cumulative way. The theory was developed alongside the practical applications, which moved from introductory exercises through to more advanced applications. The applications used materials developed by the International Food Policy Research Institute (IFPRI) and adapted by the course instructors to suit Southern African economies. Participants applied what they learnt to a mini-project, which was presented to the class at the end of the course.

The course was targeted at those who wish to develop professional expertise in the area, as well as those who need to understand the potential and limitations of the use of these approaches without themselves becoming modellers. Many of the special instructors were alumni of past courses. An intended by-product of the course was the development of a community of builders and users of economy-wide models in Southern Africa.



advanced trade analysis course



19-21 February 2007

SADC member states in 2007 were engaged in complex EPA negotiations with the European Union, whilst SACU members have a challenging schedule of bilateral negotiations with the US, India and China. Moreover, although WTO negotiations had been stalled, moves were afoot to revive these negotiations in the course of 2007.

The demand for quantitative trade analysis focused on Southern Africa is therefore expected to remain high, at least in the medium term. Undertaking these analyses with a high degree of accuracy and reliability is as important as ensuring that impact assessments are available before agreements are signed. Impact assessments are essential to understand the likely outcomes and consequences of multiple complex negotiations so that negative consequences may be mitigated and positive externalities harnessed. As part of TIPS' commitment to building analytical capacity in Southern Africa, we offered an Advanced Trade Analysis



Course aimed at equipping trade analysts with the economic grounding and spreadsheet knowledge that they need to carry out such research. Researchers learnt about relevant sources of data, as well as basic techniques to manipulate the data into a useable format.

The course was based mainly on Excel spreadsheets, using real SADC trade and tariff data from TIPS' Southern African Trade Database, and was of a highly practical nature. The course organisers

attempted to base the examples in the course on the participants' countries of origin to make the course as relevant as possible. Each new concept was introduced through lectures, followed by hands-on data manipulation using actual trade data. The course was presented by trade economists from TIPS.



Annual *report* 2007

Trade and Industrial Policy Strategies (Association incorporated in terms of Section 21)
(Registration number 2001/012247/08)

annual financial statements for the year ended 31 December 2007



general information

country of incorporation and domicile	South Africa
nature of business and principal 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 received grants from international aid organisations and applied these funds against specific projects, administration of these projects and support infrastructure.
directors	A Hirsch T Matona MG Holden S Hanival HDC Maia
registered office	826 Government Avenue Arcadia Pretoria 0083
business address	826 Government Avenue Arcadia Pretoria
postal address	PO Box 11214 Hatfield 0028
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:

Report of the Independent Auditors	31
Directors' Responsibilities and Approval	32
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Balance Sheet	34
Income Statement	35
Statement of Changes in Equity	36
Cash Flow Statement	37
Accounting Policies	38-39
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The following supplementary information does not form part of the annual financial statements and is unaudited:

Detailed Income Statement	44
Income Statement by Source	46

report of the independent auditors

to the members of trade & industrial policy strategies (association incorporated in terms of section 21)

We have audited the accompanying annual financial statements of Trade and Industrial Policy Strategies (Association incorporated in terms of Section 21), which comprise the directors' report, the balance sheet as at 31 December 2007, the income statement, the statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 32 to 43.

directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these annual financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa, 1973. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual 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.

auditors' responsibility

Our responsibility is to express an opinion on these annual 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 annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the annual 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 annual 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 the directors, as well as evaluating the overall presentation of the annual 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 annual financial statements present fairly, in all material respects, the financial position of the company as of 31 December 2007, and of its financial performance and its cash flows for the year then ended in

accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa, 1973.

supplementary information

We draw your attention to the fact that the supplementary information set out on page 44 does not form part of the annual financial statements and is presented as additional information. We have not audited this information and accordingly do not express an opinion thereon.



Grant Thornton

Registered Auditors

Chartered Accountants (SA)



Per: N C Kyriacou

Registered Auditor

Chartered Accountant (SA)

directors' responsibilities and approval

24 April 2008

The directors are required by the Companies Act of South Africa, 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 judgements 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 2008 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 board of directors is responsible for the financial affairs of the company.

The external auditors are responsible for independently reviewing and reporting on the company's annual financial statements.

The annual financial statements have been examined by the company's external auditors and their report is presented on page 31. The annual financial statements set out on pages 34 to 44, which have been prepared on the going concern basis, were approved by the board of directors on 1 October 2008 and were signed on its behalf by:



A Hirsch
Director

Pretoria



SJ Hanival
Director

directors' report

1 October 2008

The directors submit their report for the year ended 31 December 2007.

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.

Net deficit of the company was R 1 058 708 (2006: deficit R 480 504).

2. post balance sheet events

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

3. director's

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

Name	Changes
A Hirsch	
T Matona	
MG Holden	
SJ Hanival	
JHDC Maia	26 September 2007

4. secretary

The secretary of the company is Mr I Juskiewicz.

5. auditors

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

Annual report 2007

balance sheet

as at 31 December 2007

	Note(s)	2007 R	2006 R
Assets			
Non-Current Assets			
Property, plant and equipment	2	247 229	152 377
Current Assets			
Trade and other receivables	3	632 861	648 378
Cash and cash equivalents	4	11 262 735	4 358 913
		11 895 596	5 007 291
Total Assets		12 142 825	5 159 668
Equity and Liabilities			
Equity			
Fixed asset funding		247 228	152 378
Accumulated funds		2 368 640	3 522 198
		2 615 868	3 674 576
Liabilities			
Current Liabilities			
Operating lease liability		26 522	-
Trade and other payables	6	650 578	200 318
Deferred revenue	5	8 849 857	1 284 774
		9 526 957	1 485 092
Total Equity and Liabilities		12 142 825	5 159 668

income statement

for the year ended 31 December 2007

	Note(s)	2007 R	2006 R
Grant income	7	7 125 355	5 196 151
Contracts		351 846	910 795
Sundry income		759 917	127 377
Project expenditure		(7 304 931)	(5 198 860)
Administrative expenditure		(2 486 880)	(1 806 621)
Operating deficit	8	(1 554 693)	(771 158)
Investment revenue	9	495 985	290 654
Deficit for the year		(1 058 708)	(480 504)

Annual *report* 2007

statement of changes in equity for the year ended 31 December 2007

	Fixed asset funding R	Accumulated funds R	Total R
Balance at 01 January 2006	128 853	4 155 080	4 155 080
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 01 January 2007	152 378	3 522 198	3 674 576
Deficit for the year		(1 058 708)	(1 058 708)
Transfer to fixed asset funding	94 850	(94 850)	-
Total changes	94 850	(1 153 558)	(1 058 708)
Balance at 31 December 2007	247 228	2 368 640	2 615 868

cash flow statement

for the year ended 31 December 2007

	Note(s)	2006 R	2006 R
Cash flows from operating activities			
Cash generated from (used in) operations	12	6 593 505	(513 667)
Interest income		495 985	290 654
Net cash from operating activities		7 089 490	(223 013)
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(187 861)	(98 844)
Sale of property, plant and equipment	2	2 193	143
Net cash from investing activities		(185 668)	(98 701)
Total cash movement for the year		6 903 822	(321 714)
Cash at the beginning of the year		4 358 913	4 680 627
Total cash at end of the year	4	11 262 735	4 358 913

accounting policies

for the year ended 31 December 2007

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, 1973. 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 period.

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 is carried at cost less accumulated depreciation and any impairment losses.

Item	Average 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 unless it is included in the carrying amount of another asset.

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

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

1.2 financial instruments (continued)

cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

1.3 leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease liability.

1.4 employee benefits

short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care) are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

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 receive 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.

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notes to the annual financial statements for the year ended 31 December 2007

	2007			2006		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	126 760	(42 933)	83 827	107 050	(28 403)	78 647
IT equipment	356 953	(211 122)	145 831	214 933	(152 680)	62 253
Computer software	136 390	118 819)	17 571	116 585	(105 108)	11 477
Total	620 103	(372 874)	247 229	438 568	(286 191)	152 377

Reconciliation of property, plant and equipment - 2007

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	78 647	25 244	(2 415)	(17 649)	83 827
IT equipment	62 253	142 812	-	(59 234)	145 831
Computer software	11 477	19 805	-	(13 711)	17 571
	152 377	187 861	(2 415)	(90 594)	247 229

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

3. trade and other receivables

Trade debtors	335 119	294 120
Prepayments	129 097	108 962
VAT	151 488	21 787
Other receivables	17 157	223 509
	632 861	648 378

All amounts are short-term. The carrying value of trade receivables is considered a reasonable approximation of fair value.

All trade and other receivables have been reviewed for indicators of impairment. No trade receivables were found to be impaired.

8 550

-

notes to the annual financial statements
for the year ended 31 December 2007

2006
R

2006
R

4. cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	987	2 000
Bank balances	11 261 748	4 356 913
	11 262 735	4 358 913

5. deferred revenue

The deferred revenue is for the following projects:

The AusAID	1 001 775	1 190 093
The British High Commission	159 235	79 494
The GFA	-	15 187
The IDRC Core and Core Programme	13 342	-
The IDRC SADRN	2 097 907	-
The DFID Second Economy	4 671 909	-
The DFID Right to Work	905 689	-
	8 849 857	1 284 774

6. trade and other payables

Trade payables	650 578	200 318
----------------	---------	---------

All amounts are short term. The carrying values are considered to be a reasonable approximation of fair value.

7. grant income

Grants received	14 796 134	5 664 251
Deferred revenue		
- AusAID: prior year	1 190 093	631 236
- AusAID: current year	(1 001 775)	(1 190 093)
- British High Commission: current year	-	(79 494)
- IDRC Core and Core Programme: current year	(13 342)	-
- IDRC SADRN: current year	(2 097 907)	-
- DFID Second Economy: current year	(4 671 909)	-
- DFID Right to Work: current year	(905 688)	-
Accrued income		
- IDRC: current year	-	170 251
- IDRC: prior year	(170 251)	-
	7 125 355	5 196 151

Annual report 2007

notes to the annual financial statements for the year ended 31 December 2007

	2006 R	2006 R
8. operating deficit		
Operating deficit for the year is stated after accounting for the following:		
Operating lease charges		
Premises		
▪ Contractual amounts	295 441	180 264
Equipment		
▪ Contractual amounts	75 988	95 233
	371 429	275 497
Loss on sale of property, plant and equipment	(222)	(5 693)
Depreciation on property, plant and equipment	90 594	69 485
Employee costs	3 335 129	2 287 153
9. investment revenue		
Interest revenue		
Bank	495 985	290 654
10. taxation		
No provision has been made for 2007 tax as the company is exempt from taxation in terms of Section 10(1)(cN) of the Income Tax Act.		
11. auditors' remuneration		
Fees	61 019	60 000
12. cash generated from (used in) operations		
Deficit for the period	(1 058 708)	(480 504)
Adjustments for:		
Depreciation	90 594	69 485
Loss on sale of property, plant and equipment	222	5 693
Interest received	(495 985)	(290 654)
Movements in operating lease accruals	26 522	-
Changes in working capital:		
Trade and other receivables	15 517	164 002
Trade and other payables	450 260	(635 227)
Deferred revenue	7 565 083	653 538
	6 593 505	(513 667)

notes to the annual financial statements

for the year ended 31 December 2007

2006
R

2006
R

13. commitments

Grants given

The company has given grants to other organisations to assist in the Right to Work project. The total amount contracted to but not paid out by year end was as follows:

- within one year	2 022 760	-
<hr/>		
Operating leases – as lessee (expense)		
Minimum lease payments due		
- within one year	567 598	246 631
- in second to fifth year inclusive	2 330 693	70 729
	<hr/>	<hr/>
	2 898 291	317 360
	<hr/>	<hr/>

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

14. contingencies

Guarantees issued by the company's bankers to the company's landlord	40 000	-
	<hr/>	<hr/>

15. directors' emoluments

Executive

	Emoluments	Total
2007		
For services as directors	572 559	-
	<hr/>	<hr/>
2006		
For services as directors	582 497	-
	<hr/>	<hr/>

16. risk management

liquidity risk

The company's risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments.

credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The company only deposits cash with major banks with high quality credit standing.









Annual *report* 2007

detailed income statement







	2007 R	2006 R
Funding	8 733 103	6 524 977
Contracts	351 846	910 795
Cost recoveries	177 217	-
Course fees	170 300	104 277
Data subscriptions	12 000	-
Grants	7 125 355	5 196 151
Interest received	495 985	290 654
Management fees	400 400	-
Sundry income	-	23 100
Expenditure	9 791 811	7 005 481
Projects	7 304 931	5 198 860
Bank charges	3 849	3 243
Consulting fees	1 920 155	2 530 768
Data subscription and hosting	3 605	19 911
Employment costs	2 391 293	1 755 625
Equipment	-	2 590
Grants	1 500 000	-
Office supplies and expenses	36 319	18 725
Printing and publication	761 989	720 900
Seminars, meetings and conferences	281 633	40 392
Telephone	619	-
Travel	405 469	106 706
Administration	2 486 880	1 806 621
Audit fees	61 019	60 000
Bank charges	10 595	10 174
Computer maintenance	23 133	11 005
Consulting fees	265 550	433 696
Data communications	134 037	87 775
Depreciation	90 594	69 485
Employment costs	1 035 905	578 557
Equipment	86 684	98 710
Insurance	26 280	24 368
Loss on disposal of assets	222	-
Office rental, security and maintenance	322 841	186 614
Office relocation	114 140	-
Office supplies and expenses	54 173	42 442
Periodicals and subscriptions	4 149	4 124
Printing and publications	100 772	74 880
Property maintenance	13 875	-
Seminar, meetings and conferences	4 708	1 942
Telephone	62 055	39 396
Training	52 997	22 866
Travel	23 151	60 587
Deficit for the year	(1 058 708)	(480 504)

Annual report 2007

income statement by source for the year ended 31 December 2007

Project	grant-funded projects						working capital (comprising	
	IDRC	IDRC	DFID	DFID	AUSAID	BHC	TIPS	GFA
	International Development Research Centre	International Development Research Centre	Department for International Development	Department for International Development	Australian Agency for International Development	British High Commission	Trade & Industrial Policy Strategies	GFA Consulting Group
								
	Core and Core Programme	SADRN	Second Economy	Community Work Programme	African Governance Facility	BHC - Services Project	Working Capital	GFA-Strengthening SADC Secretariat
Income	2,010,763	363,543	791,985	1,575,000	2,580,067	49,509	885,598	15,187
Grants	2,179,287	2,461,450	5,415,200	2,467,500	2,272,699			
Contract fees						129,250	8,000	
Management fees							400,400	
Interest	15,069		48,695	13,188	119,050		299,982	
Add: Prior year deferred income					1,190,093	79,494		15,187
Less: Prior accrued income	-170,251							
Less: Current year deferred income	-13,342	-2,097,907	-4,671,909	-905,688	-1,001,775	-159,235		
Other Income							177,216	
Expenditure	2,010,763	363,543	773,770	1,575,000	2,566,567	49,509	1,858,903	15,187
Direct	2,010,763	124,967	468,460	1,500,048	1,205,480	32,759	4,118,097	-
Allocated		238,576	305,310	74,952	1,361,087	16,750	-2,259,194	15,187
Equipment			18,215		13,500		180,251	
Surplus/ Deficit(-)								
End of period	0	0	0	-	-	-0	2,368,643	-
For the period	0	0	0	-	-	-0	-1,153,556	-
At the beginning of the year							3,522,199	

unrestricted funding for small projects, contract fees and other income and expenditure

DPRU	TIPS	UKZN	NDA	DPRU	TIPS	total working capital	consolidated
Development Policy Research Unit	Trade & Industrial Policy Strategies	Health Economics Research Division - University of KwaZulu-Natal	National Department of Agriculture	Development Policy Research Unit	Trade & Industrial Policy Strategies		
							
DPRU - IP Database	CGE Course March 2007	ADAT	NDA Market Access Course	DPRU - Jobs for Growth	EWPIA Course Sept 2007		
129,150	75,000	12,000	39,300	150,000	56,000	1,362,235	8,733,104
						-	14,796,136
129,150				150,000		287,150	416,400
						400,400	400,400
						299,982	495,985
						15,187	1,284,774
						-	-170,251
						-	-8,849,857
	75,000	12,000	39,300		56,000	359,516	359,516
129,150	75,000	12,000	39,300	150,000	56,000	2,335,540	9,674,693
7,875	59,672	6,000	7,172	30,000	103,399	4,332,215	9,674,693
121,275	15,328	6,000	32,128	120,000	-47,399	-1,996,675	-0
						180,251	211,966
-	-	-	-	-	0	2,368,643	2,368,643
-	-	-	-	-	0	-1,153,556	-1,153,556
						3,522,199	3,522,199

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