

Trade & Industrial Policy Strategies



ANNUAL REPORT

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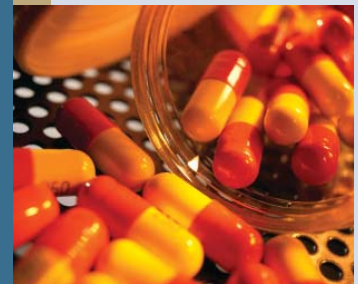
TIPS is an independent, non-profit economic research institution active in South Africa and the region. The organisation facilitates policy development and dialogue across six theme areas or policy pillars: trade, African economic integration, industrial development, inequality and economic marginalisation, sustainable growth and rural development.

Its vision is to be a leader in independent economic policy analysis and research in pursuit of development in Africa. TIPS aims to achieve its mission by:

- Developing an internal critical mass of intellectual capacity to undertake and disseminate leading, relevant economic research;
- Stimulating debate between policy practitioners and the wider research community to generate viable policy options; and
- Building on its links with key international policy-relevant institutions, to draw the quality of its research efforts ever closer to international best practice.

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BOARD OF DIRECTORS AND MEMBERS

TIPS's activities are directed by a Board of Directors and Board of Members. The Board of Members includes as a sub-set the Board of Directors, but extends to a wider cross-section of representatives from the private sector, government and non-governmental organisations (NGOs). Its role is to provide overall strategic guidance to TIPS. The directors traditionally meet every quarter to review the financial performance of the organisation. During 2009, with the aim of putting TIPS on a more secure financial footing, the TIPS Board of Directors met with the TIPS senior management team monthly. The Board of Members also held a special meeting in January 2009 following the review of TIPS that had taken place a month before. This resulted in a brainstorming session later in the year which served to inform TIPS's strategic direction for the next three to five years.

1	Alan Hirsch (Chair of the Board of Directors)	The Presidency
2	Jorge Maia	Industrial Development Corporation
3	Nimrod Zalk	<i>the dti</i> (Department of Trade and Industry)
4	Shirley Robinson (Chair of the Board of Members)	Economic Rise Consulting
5	Fundi Tshazibana	National Treasury
6	Leslie Maasdorp	Absa Bank and Absa Capital
7	Merle Holden	University of KwaZulu-Natal
8	Rashad Cassim	Statistics South Africa
9	Stephen Yeo	Centre for Economic Policy Research
10	Tshediso Matona	<i>the dti</i> (Department of Trade and Industry)
11	Nkosi Madula	<i>the dti</i> (Department of Trade and Industry)
12	Simon Roberts	Competition Commission
13	Ravindra Naidoo	Development Bank of Southern Africa
14	Rosalind H Thomas	Nova Capital Africa

TIPS's vision is to be a leader in independent economic policy analysis and research in pursuit of development in Africa



TIPS facilitates policy development and dialogue across six key policy pillars – trade, African economic integration, industrial development, inequality and economic marginalisation, sustainable growth and rural development

CHAIRMAN'S MESSAGE

The past year was a time of self-reflection and consolidation for TIPS. After 14 years of existence it was necessary to step back from the fray to refine the thinking behind the role TIPS plays in thought leadership. This redefining of TIPS took place at the same time as the ripples of the global economic crisis continued to be felt in Africa, and as the change in political leadership in South Africa made room for new thinking on economic issues.

The challenge was to set out how TIPS could contribute more effectively in a rapidly changing global economic environment and shifting domestic political context. The process of introspection has ensured that TIPS has streamlined its operations by identifying six core theme areas of importance for policy-oriented research, namely trade, African economic integration, industrial development, inequality and economic marginalisation, sustainable growth and rural development. This restructuring will allow TIPS to build on its core strengths as well as work towards greater regional and continental integration.

The global crisis has also challenged economic orthodoxies, opening up greater space for innovation in developmental policy approaches, an opportunity that TIPS will grasp.

TIPS was involved in a number of new initiatives during the year. Projects with the South African government included commissioning research papers to inform an upscaled Industrial Policy Action Plan for the Department of Trade and Industry, and project managing the initial roll-out of the Community Work Programme (CWP) in partnership with the Presidency and Department of Social Development. We are particularly proud to be associated with designing this programme, which will provide an employment safety net for people in marginal areas. As a result of the successful pilot, the CWP has been accepted as a government programme to be located in the Department of Cooperative Governance and rolled out eventually in every municipality in the country.

TIPS entered 2009 with a change in leadership following the resignation of the previous executive director, Stephen Hanival, in late 2008. Ximena Gonzalez-Nuñez, was appointed as acting executive director and subsequently assumed the post on a permanent basis.

While the year began with some uncertainty about the future for the organisation because of financial constraints, passion and energy at all levels of the organisation ensured that by the second half of the year, planning around a strategy was in full swing.

As 2009 came to a close, TIPS was once again in a healthy financial situation with a secure pipeline of funding. This was possible due to the tight financial management undertaken by the TIPS Board and management team, as well as the continued dedication demonstrated by all staff members, which ensured that existing programmes continued to successfully implement activities, as well as seek out further sources of funding.

I would like to thank my fellow directors for their valuable support over the past year. I would also like to express my appreciation to the new executive director and staff. It is heartening to see the team responding to new opportunities. Thanks again to Stephen Hanival for the fine work he did while executive director.

Alan Hirsch
Chairman

TIPS Board of Directors
September 2010

STAFF

TIPS staff comprises eight economists, including the Executive Director and Research Director, one technical staff member (the Financial Manager), and four administrative support staff.

In addition, development specialist Dr Kate Philip (previously at the UK's Department for International Development, or DFID) is contracted by TIPS to manage the Second Economy Strategy Project, reporting into the AsgiSA High Level Task Team in the Presidency.

TIPS continues to provide public good-related services. The support staff assists in managing these activities, such as training courses and workshops, as well as TIPS's publications and website. TIPS also continues to run its internship programme and hosted five interns during 2009. In 2009, two of TIPS's senior economists left to explore

new opportunities. Cornel van Basten, the Economic Regulation specialist, is now in the private sector. Mmatlou Kalaba, the Trade specialist is completing his PhD at the University of Pretoria. Mmatlou has, however, remained with TIPS as a Research Fellow and continues to support TIPS.

Due to financial constraints, active recruitment of new staff began only towards the end of 2009. In January 2010, Bongani Motsa joined TIPS as a Programme Manager, and TIPS expects to recruit another Programme Manager early in 2010.

1. **Ximena Gonzalez-Nuñez** Executive Director
2. **Myriam Velia** Director: Research
3. **Juanita Pardesi** Chief Operations Officer and CWP Programme Manager
4. **Kate Philip** Programme Manager: Inequality and Economic Marginalisation
5. **Bongani Motsa** Programme Manager: African Economic Integration
6. **Emily Sindane** Office Assistance and Maintenance
7. **Ipeleng Mohlala** Office Manager
8. **Tanya Claassen** Office Coordinator
9. **Mbofholowo Tsedu** Junior Economist
10. **Sithembiso Mtanga** Junior Economist
11. **Peet Du Plooy** Programme Manager: Sustainable Growth
12. **Rozale Sewduth** Finance and Administration Support
13. **Meagan Jooste** Junior Economist
14. **Evans Chinembiri** Junior Economist
15. **Cynthia Chiororo** Assistant Accountant
16. **Mupelwa Sichilima** Programme Manager: Trade

Research Fellows:

Rob Davies
Mmatlou Kalaba
Christian Tipoy





A primary objective for TIPS in 2010 and beyond will be to ensure a multi-stakeholder and partnership approach

EXECUTIVE DIRECTOR'S OVERVIEW

TIPS entered 2009 cognisant of the outcomes of the organisation review that had taken place late the previous year. This marked the beginning of a broader process of introspection, which culminated in a revamp of the organisation. The outcome was a clear strategic map for the way forward, built around six programme pillars of policy focus: trade, African economic integration, industrial development, inequality and economic marginalisation, sustainable growth and rural development. A firm emphasis going forward will be around strengthening the links between TIPS's traditional areas of policy support strength, namely trade and industrial policy, and the new focus areas.

The organisation also strengthened its financial footing and diversified its funding base, which included receiving core funding from the South African Department of Trade and Industry (*the dti*) for the first time. Throughout the year, TIPS continued to support policymakers with policy formulation. The team worked closely with *the dti* to strengthen both its trade and industrial policy work, including assisting in background analysis to inform a possible free trade agreement with Korea, and commissioning research papers to inform the up-scaling of industrial policy interventions in South Africa. At the same time TIPS continued to emphasise its regional footprint in these areas.

While the Southern African Development Community (SADC) Trade Database focus was around sustainable activities, given that the AusAID funding pipeline was coming to an end, research remained a strong focus. A series of research papers was funded through both this programme and the International Development Research Centre (IDRC)-funded Southern African Development Research Network (SADRN). Supporting evidence-based policy research remained a strong focus, but limited capacity in the region continues to be a constraint. As such, TIPS's capacity building role remained relevant and our senior researchers supported the researchers in the region to improve the calibre of their papers. Under SADRN, a researchers' workshop held in late 2009, which brought together authors of all the papers across the theme working groups for trade and poverty, trade in services and industrial policy, was an important capacity building opportunity. Five interns were also hosted during 2009.

While TIPS's role in supporting the strengthening of research quality will remain crucial, lack of data and the quality of data remains a concern. In response to this, TIPS will continue to work with the SADC Secretariat and other regional partners such as the Botswana Institute for Development Policy Analysis and the University of Mauritius to support this process.

TIPS also developed on-line tools to assist researchers and policymakers in the region to conduct trade analysis, as well as conducted a trade data analysis course on request in Zambia and a self-funded economic modelling course. TIPS also improved the access to data and understanding of what it available and needed in the region through a comprehensive study in the region.

TIPS's role in facilitating policy dialogue continued with the Development in Dialogue seminar series being able to host a number of local and international expert speakers, including Dr Veena Jha, a Professorial Fellow at the Institute of Advanced studies at the University of Warwick in the UK, and Prof Albert Berry, Professor Emeritus of Economics and Research Director of the Programme on Latin America and the Caribbean at the Centre for International Studies at the University of Toronto. These seminars will continue to provide a forum in which frank discussion on key issues of policy interest can take place among a broad range of stakeholders. This process positively contributes to increased understanding of policy formulation thinking, which is a key challenge in the current South African context.

Staff participated in and presented papers at various seminars and workshops, mainly in South Africa, but also in other countries. Of particular significance for TIPS was the opportunity to present to South Africa's Parliamentary Portfolio Committee on Trade and Industry in 2009. Parliamentarians present a group of policymakers who are not sufficiently well-informed around how the different spheres of government formulate the various policy documents presented for Cabinet approval. There is, for example, a need for more regular briefings to parliamentarians around the fundamentals of the contexts within which *the dti* has formulated its trade and industrial policies. This is an area TIPS plans to focus on in 2010.



In the coming year, TIPS will continue to facilitate policy transparency where possible, as well as formulating evidence-based economic policy, using an integrated approach that takes into account the views of all relevant stakeholders. The organisation will support the emphasis on policy efficiency and effectiveness adopted by the South African government, with a stronger focus on ensuring that TIPS facilitates multi-departmental collaboration for all policy work. In doing so TIPS will be complementing its existing team with additional skills, including those need for the sustainable growth programme pillar.

The importance of having economic policies formulated in a comprehensive integrated approach, together with various stakeholders, is crucial to ensuring a focussed, practical way forward that minimises duplication and maximises impact, as well as scarce resources. A critical factor determining the effectiveness of any policy is in the buy-in this has across all stakeholders. It has been evident, for example, that Business Chambers are echoing their constituencies hunger for understanding how policy is actually formulated. Here TIPS has a definitive role to play, and it is with this in mind that in 2009, and going into 2010, TIPS has and will continue to nurture partnerships with other government departments such as the Department of Energy.



On the regional front, as South Africa puts its political weight behind the Common Market for Eastern and southern Africa (COMESA)-East African Community (EAC)-SADC Tripartite free trade area, regional integration will become a core focus area.

A primary objective for TIPS in 2010 and beyond will be to ensure a multi-stakeholder and partnership approach is adopted in both the design and the implementation of initiatives across all six of its theme areas of economic policy focus,

TIPS is excited about these many opportunities to make a positive impact in 2010 on both the South African and regional policy agenda. Not least of these is the World Cup, which TIPS is proud to be supporting.

I would like to thank, first and foremost, my colleagues at TIPS who have supported me and each other through a difficult year. Grateful thanks also go to our donors, as well as to the TIPS members and directors, for their continued support and guidance. I look forward to welcoming new colleagues to TIPS with their diverse contributions and to ensuring that the organisation goes from strength to strength.

Ximena Gonzalez-Nuñez
Executive Director

TIPS has and will continue to nurture key relationships with partners such as the SADC Secretariat

PARTNER ORGANISATIONS

TIPS works closely with economic policy stakeholders, within South Africa and elsewhere into the continent, from both the public sector and civil society, and draws extensively from its networks with academia and other research partners. The organisation engages with local, regional and international research and academic institutions to produce and disseminate world-class research and constructively influence economic policy. In the year under review, these institutions included:

- **Botswana Institute of Development and Policy Analysis (BIDPA)**
- **British High Commission**
- **Centre for Economic Policy Research (CEPR)**
- **Centre for Research on the Economics of Institutions, University of Rome**
- **ComMark Trust**
- **Competitiveness Institute**
- **Development Policy Research Unit (DPRU)**
- **European Commission**
- **Institute for Global Dialogue (IGD)**
- **Institute of Development Studies (IDS), University of Sussex**
- **International Monetary Fund**
- **International Trade Centre (ITC)**
- **Organisation for Economic Co-operation and Development (OECD)**
- **Southern African Global Competitiveness Hub**
- **South African Institute of International Affairs (SAIIA)**
- **Trade Law Centre for Southern Africa (Tralac)**
- **The World Bank**
- **United Nations Economic Commission for Africa (UNECA)**
- **Universidad Nacional de General Sarmiento, Argentina**
- **Universities of the Witwatersrand, Cape Town, Pretoria, KwaZulu-Natal and Stellenbosch**
- **University of Mauritius**
- **University of Tanzania**
- **University of Zambia**
- **United Nations Economic Commission for Africa (UNECA)**
- **Universidad Nacional de General Sarmiento, Argentina**
- **Western Cape Department of Economic Development and Tourism**

AREAS OF ACTIVITY

TIPS is active in both the South African and Southern African economic policy arenas and co-ordinates a wide network of established researchers. The organisation aims 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.

TIPS' specific objectives are:

- To be a source of independent economic policy and research leadership to government and civil society in South Africa and the region.
- Conducting and commissioning economic policy research, together with key partners;
- Conducting and commissioning capacity-building activities related to economic policy research, analysis and dialogue, both internally through internships, mentorship and training support, and externally, focusing on the public sector, universities and other civil society players including labour and NGOs through training courses, policy briefings, small research grants and other instruments;
- Disseminating research and knowledge related to economic policy to stakeholders through online data hosting, interactive web reports, print and online publications;
- Facilitating dialogue around policy development and implementation in a multi-stakeholder approach;
- Strengthening existing partnerships, as well as identifying and developing new strategic partnerships to enable its objectives; and
- Building TIPS's traditional strengths of trade and industrial policy through linkages with other emerging issues of policy interest such as sustainable growth.

TIPS believes these areas are relevant to other developing countries in the region and increased activity in the region should flow from a stable research base. Its projects are a healthy mix of applied and cutting-edge, proactive strategic research, implemented in close partnership with key stakeholders to ensure buy-in and capacity-building, and include the following services:

- Conceptualisation and design of projects;
- Management and implementation of projects and programmes;
- Economic research and analysis; and
- Training and capacity development.

Our projects involve strategic research, implemented in close partnership with key stakeholders

Selecting the appropriate activities for each research programme ensures TIPS's outputs are planned and evaluated for relevance in the local and regional context before implementation. Activities across the different research programmes have tended to include the following in various configurations:

Data: Collection, structuring and on-line dissemination, and developing new sources and series.

Tools and methods: Development of new tools or methodologies to answer specific research questions, application and customising of best-practice tools available in the rest of world to South African data/research; and impact assessment tools and techniques.

Research: Strategic public-good research for which there may be little immediate explicit demand; practitioner-focused practical research; and substantive research focused on immediate needs.

Advocacy: Policy briefings to government and civil society; and maintenance of a media and overall public presence.

Capacity building: Training courses, seminars and workshops, and scholarships.

Dissemination: Policy-focused Annual Forum; small, highly-focused workshops, Quarterly Trade & Industry Monitor.





STRATEGIC REVIEW – REDEFINING TIPS

The review of TIPS in 2008 noted that TIPS had undergone an evolution since it was started by the IDRC in the 1990s. Originally, TIPS was seen to be “both an initiator of policy research and as an intermediary between research institutions and the government” in South Africa. The organisation gained a well-regarded reputation as an economic policy think tank that undertook both evaluative and innovative research. The former involved reviewing the impact of policy instruments and programmes, as well as extracting implications for policy formulation. The latter applied economic theory or comparative experience to policy issues and attempted to anticipate future issues that could confront government on trade and industrial matters. The review describes the “thought leadership” role played by TIPS as being around conducting innovative research and disseminating the innovative ideas of others. TIPS was also seen as an important link for policymakers for policy research prioritisation.

The review concluded that TIPS had diversified away from these roles, as encapsulated in the sense of being a “think tank”. This was the result of funding streams becoming more difficult to secure, particularly for TIPS’s traditional core focus areas of trade and industrial policy¹, as well as new opportunities presenting themselves in both subject area and geographical focus. TIPS was criticised on a number of fronts with the view being that TIPS was no longer regarded as a thought leader in its field. Its work was seen, in some respects, lacking in focus and direction, with publications having limited impact. TIPS was praised for its support to *the dti* around trade and industrial policy, and an expanded role around this is seen for TIPS.

The review also highlighted the financial difficulties TIPS was experiencing at the time, recommending tight financial prudence and a renewed focus on strengthening the pipeline of programmes. The more regional focus of TIPS’s work was viewed favourably by the Review Team, though difficulties around linking regional economic integration issues more closely to the core South African policy concerns of TIPS were articulated. Furthermore, the review acknowledged that even though more players exist today than did

previously, particularly dealing with trade, there was still a role for TIPS to play – in particular it identified a deeper engagement in policy-oriented research.

The fundamental recommendation made was around the need for TIPS to fulfil its policy innovation role. It was envisaged that this would be achieved through its core funding as well as proposals for multi-year funding. Such proposals would be developed around a few pillar programmes that would identify and link together research, advisory support to government and public information, including a series aimed at parliamentarians.

Response to the review

A special Board of Members meeting took place in January 2009 where the Review Team presented the outcomes and recommendations. It was clear that a rethink about the way forward was needed. This argument was bolstered by events such as the financial crisis, with the current financial system and economic dogma now also being questioned and reviewed, as well as changes in South Africa itself where a new political leader has introduced new national political priorities and changes to the structure of government. Given these changes in the operating environment, and the need to reorient TIPS, on the recommendation of the TIPS Board of Members, TIPS held an internal brainstorming session on 25 August 2009 at which its senior management, Board and some Members participated. The objective was to inform a new strategic direction and to define core areas of focus.

The session concluded by identifying the theme areas of policy importance for TIPS to formulate its medium-term strategy around. It was agreed that a first step would be to narrow down the proposed strategic core areas of focus over the next three to five years. This included an initial mapping exercise conducted by TIPS senior researchers and one associate, who are experts in the relevant fields. Following consultation with the TIPS members, TIPS’s senior management team formulated a strategy to guide the way forward.

¹ This continues to be the case, with the global recession having had an even more marked effect. Official Development Assistance (ODA) is expected to continue to decrease into 2010, and is more focused on issues such as health and education, as well as governance. Particularly with industrial policy, the appetite of donors to fund work in this area in the region appears limited.



Proposed core areas of focus

In identifying future strategic focus areas, the management team considered existing areas of strength, the existing and (proposed) new in-house skills pool, and new national and international priority issues. Trade and industrial policy are traditional areas of strength and need to be retained as a strategic focus. New national and international priority areas include African economic integration, inequality and marginalisation, rural development and, cutting across all of these areas, sustainable growth.

There can be little doubt that the sustainable growth lens will be used to examine virtually every area of public and private policy. Any research institution that does not develop its capacity to respond to this overarching new priority will find itself rapidly less relevant. It will be essential for TIPS to bring this lens to bear on all of its research and to add a suitable specialist to its in-house team. Much of the innovative contribution that TIPS will be looking to make will be in the areas of intersection between the respective strategic focus areas. This refers in particular to the intersection of sustainable growth in its many dimensions, and to the other pillars and sub-elements in these pillars – for instance, making the links between trade and energy and sustainable development. In turn, other pillars have to consider other cross-cutting dimensions such as regulation or infrastructure. While some focus will need to be on tools available to the authorities to influence outcomes and on methodologies, an element of comparative research will be added to assess relative positions and strengths and to define priority areas.

While the review recommended that work around regulation constitutes a main programme of research at TIPS, this is at present not feasible. Regulation is a core focus area for South Africa's National Industrial Policy Framework and TIPS has a specific support role to play in this area. Although TIPS has made great inroads in this area of research, it has been difficult to raise funding.

There are five main reasons. First, the South African regulatory institutional context while problematic – e.g. in terms of misalignments between various pieces of legislation and in terms of conflicting objectives – is hard to influence or alter. Thus, the impact of research in regulation is limited and constrained to raising awareness of problem areas. Second, input requested by key regulatory agencies is typically not placed in the public domain, which again diminishes the impact of research. Third, limited external funding is available in South Africa to carry out regulatory research. Thus, while TIPS has undertaken research for both the OECD and UNCTAD (United Nations Conference on Trade and Development), this work has been to complement and support the internal work at these agencies on an ad-hoc rather than on a more systematic and long-term basis. Fourth, requests for support have been expressed along thematic lines (e.g. procurement regulation). Following such requests, a shortage of expertise in South Africa to support TIPS's previous in-house expert emerged. Fifth, the Competition Commission and National Treasury have their own research capacity on regulation and carry out research in this area.

Despite these challenges, TIPS continued to develop its regulatory work in 2009. For instance, TIPS staff looked at national as well as municipal procurement legislation and institutional regulatory arrangements. Following discussions with the Board, however, TIPS has elected to maintain its regulation focus but incorporate it as a cross-cutting area for its programme of research. TIPS will, separately, look into commissioning expert pieces on selected regulatory themes to continue developing intellectual capacity. During the strategic review, it was emphasised that competition policy and regulation would be deemed to be policy issues that cover all the theme areas, and as such considered in most of the economic policy work that TIPS would undertake.

In concluding the strategic review process, the way forward crystallised into six theme areas of focus around which TIPS would develop its programmes: trade, African economic integration, industrial development, inequality and economic marginalisation, sustainable growth and rural development.



Trade and industrial policy are traditional areas of strength and need to be retained as a strategic focus

Trade

Trade has been the key pillar since 1996. The programme has, in the past, focused on trade negotiations, including assistance to *the dti* in the form of quantitative analysis. Analysis of South African trade performance and trade policy-making has been at the core of the research work. Bilateral trade analysis became the main feature of trade research. In the last three or four years, additional activities have been added to the trade programme. These include the SADC Trade Database, capacity building, and more deliberate efforts to advance activities in the region beyond simply conducting research about them.

The proposed trade programme will continue to focus on the analysis of trade performance and trade policy in South Africa and the region. This needs to be supplemented by related work from other areas that will link the new focus areas and trade, such as industrial policy, investment and general supply-side constraints. Looking at analytical work undertaken by TIPS over the past 10 years, it is clear that the trade basket within Southern African countries has not changed substantially. Furthermore, to date trade agreements have not yielded significant gains in the region from a broader developmental perspective as they have tended to focus on pure market access objectives. It is therefore unlikely that trade arrangements with developing countries such as India, Brazil, Russia or China will be different. What needs to be considered with reference to these is the possibility of increasing the non-trade related gains from miscellaneous trade arrangements, including co-operation, technology adoption, capacity building of local industries, and to find ways to boost industrial development from such trade arrangements. Trade in services is another area in which research and policy analysis still lags. This should also be considered, and possibly fast-tracked, with developing partners – especially with the South African Customs Union (SACU) and SADC. The integration part of the trade programme will look at the role that TIPS can play in research, capacity building and dissemination. Linkages with the African economic integration programme will be important.

TIPS's presence in the SADC region in areas like capacity building, trade data provision and trade research is well established. Areas in which TIPS can expand beyond SADC geographic borders are food security (linking this to trade, poverty and agriculture), infrastructure, investment and services research. One anticipated challenge is with information availability. Where TIPS manages to find such information, it should be disseminated and also form part of the outcome of the programme. Some of the developments on which TIPS can build the momentum of this programme include the decision of Heads of States in Southern and Eastern Africa to form the COMESA-EAC-SADC free trade area, the decision by SADC to delay customs union formation or even the challenges faced by SACU around the initialling of Economic Partnership Agreements (EPAs). These developments and decisions require that work on research, information dissemination and even co-ordination.

African economic integration

Economic integration expands markets and employment opportunities, allows for more efficient investment and promotes the diffusion of technology. It also enables a more attractive investment climate.



Given these well espoused benefits, economic integration has long been a core objective of the African continent, though to date success has been mixed. In the past TIPS has focused on the trade aspect of integration with some indirect focus on other aspects such as employment and investment. However, in future a comprehensive African economic integration programme will be outlined, given the importance of these other aspects in enabling the continent to grow and develop more rapidly. Policy issues to be tackled will include assessing how investment policies could be co-ordinated in the region as well as having a regional financial market strategy. Competition policy is another area of research and dialogue that is under-explored in South Africa as well as in the region and across the continent; so is regulation. There is significant scope to take forward much of the excellent work already undertaken by the Competition Commission of South Africa, and it has already expressed keenness to partner with TIPS to take this further. Co-operation on, and co-ordination of, technological advancement and innovation initiatives, as well as labour mobility, are among other areas for consideration that need a focused policy attention at the regional and continental levels.

Industrial development

TIPS's traditional focus on industrial development has been mainly in South Africa, supporting *the dti* in advancing industrial policy. Going forward, however, TIPS will build on work conducted in the region. Research is required both in South Africa and the region on how best to increase the competitiveness of both local and regional industry. The concept of building successful regional value chains is yet to be fully explored, and another area of key policy importance is the integration of trade and industrial policy. This crucial policy issue is being tackled in South Africa and progressively in the region, including how best to combine both offensive and defensive measures in the context of developing industrial policy. South Africa, for example, is developing comprehensive industrial development strategies at a sectoral level. TIPS has been intimately involved in this process, and there is much scope in introducing a regional angle. This dovetails with South Africa's attempts to refine its industrial policy objectives to meet overall development imperatives, including poverty reduction and growth in employment, as well as introducing more environmentally sustainable production methods.



BOKFONTIEN

COMMUNITY WORK PROGRAMME

Participation in the Bokfontein programme in North West Province peaked at 624 people during the year. Neighbouring communities report being impressed by the developments and calls have been made for similar programmes to be implemented. Officials from the local municipality who visited the site expressed happiness and pride in the work being done by the programme. In November 2009, the Bokfontein site extended to include Erasmus, a neighbouring community, and numbers participating there quickly reached over 400. The local Department of Community Services ran a workshop on environmental awareness and climate change at the site and donated 20 trees. Allcultures Organic Garden donated the use of their water – a scarce commodity in the area. Local businesses have also come on board to support the programme.

An affordable day-care centre for community children was established along with an after-care programme to keep the youth busy and off the streets. Other achievements include evidence of community members taking better care of their surroundings and started vegetable gardens. The programme received positive coverage on national radio.



Inequality and economic marginalisation

In 2007, TIPS began hosting the Second Economy Strategy Project, which was a DFID-funded initiative of the South African Presidency. The key outcome of the project was the Second Economy Strategy Framework, which highlights the scale and scope of challenges that need to be confronted to address structural inequality and associated high levels of economic marginalisation in South Africa. The framework argues that while an agenda to address these is urgent, it will take time to see the impact, as these will involve structural and market-change processes. The impacts of such processes will tend to reach the most economically marginalised people last. A complementary set of strategies is therefore required to reach the most marginalised first.

Such strategies will need to be publicly driven, and aim to unlock the economic agency of poor people in a context in which for now at least, they remain largely excluded from more market-based forms of economic participation.

In this context, as part of the Second Economy Strategy Project, the need to scale up public employment initiatives was identified, and the Community Work Programme (CWP) was developed. This initiative piloted the “minimum work guarantee scheme” that had been successfully implemented in India. The CWP initiative was successfully rolled out through TIPS and has been included in the national budget from 2010 (see Programmes on page 25 and boxes on this page and throughout the report profiling CWP sites). There is scope for TIPS to build on this work.

The Second Economy Strategy Framework emphasised the role of structural inequality in producing and reproducing economic marginalisation, and research on inequality was commissioned. While this work needs to be showcased further, and while it provided important insights into the nature of inequality in South Africa and the

factors influencing its composition, most researchers stopped short of exploring strategies to address structural inequality. Furthermore, there is scope to begin to explore inequality as it relates to the region and how the lessons from South Africa could possibly be of policy significance to other countries in Southern Africa and the continent. More comprehensive work around strategies to create employment in the most marginal contexts is being planned.

Sustainable growth

While the concept of sustainable development continues to be debated, some core principles are being accepted about the environment’s centrality for socio-economic progress. Among these, and for the purpose of the choice of “sustainable growth” as an additional focus of research for TIPS, is the mounting evidence that natural capital, that is the stock of natural (renewable and non-renewable) resources used for production, is a critical asset for growth and development. Of note is that developing countries have a relatively high share of natural capital and can capitalise on it for their long-term growth. The recent commodity price boom has shown that revenues generated from natural resource extraction are important for growth.

The importance of the environment to generate a stream of services is explicitly recognised in South Africa. For example, the preservation of ecological systems and landscape matters economically as it ensures that tourist revenues remain. Policy concerns are also increasingly around the quality of the environment – that is with the quality of the broad environment shaping water quality (as well as access to water) and the spread and impact of diseases. Moreover, beyond environmental (including ecological) services, the fact that changes to, and the exploitation of the full resource base, have intra-

generational outcomes is also starting to find a firmer place in policy thinking. Development options have thus to be considered over the long and short term.

TIPS has identified a range of themes for investigation under the sustainable growth programme.

These range from questions related to whether production should be based increasingly on genetically modified seed technology or organic methods, or a compatible combination, to questions on how to enhance South Africa's position as a Certified Emissions Reductions credits supplier.

Some main research directions can be drawn around the way in which environmental sustainability is conceived. Specifically, research, analysis and engagement around the local environment need to be undertaken. This is the case for land and resource use and trade-offs as well as for the theme of resource depletion. A second main research direction is the global environment as guided by international efforts around climate change. TIPS recognises that, while climate change is a global problem, the interventions undertaken nationally and internationally to deal with it generate national changes (pro-actively or defensively) that will affect South Africa's partners in terms of trade patterns and investments stocks and flows as well as industry structure and value chain dynamics. This characteristic has not yet been internalised by policymakers as climate change research is still largely away from socio-economic considerations. Instead, attention has been, in the region, towards sharing the knowledge and

technologies being developed nationally as they are related to adaptation efforts.

Rural development

Rural development encompasses economic and social development in 'underdeveloped areas' and 'developed areas'. In the South African context the former refers to areas where, because of the legacy of apartheid, the overwhelming majority of poor households involved in agriculture live. The latter refers to the high failure of land reform initiatives in developed – or commercial agricultural – areas and the very low – often negative – realisation of benefits for poor 'beneficiary' households. Taking cognisance of building on TIPS's traditional areas of strength in trade and industrial policy, a strategic area of policy focus going ahead will be around agriculture and agro-processing with respect to the role this plays in advancing rural development. Furthermore, linkages with crucial related policy areas such as food security, for example, assessing more comprehensively opportunities around regional agricultural value chains, will be part of the programme's objectives. Integrating the "sustainable growth" programme around issues such as climate change mitigation and adaptation strategies, as well as how these may also provide alternative employment, which also overlaps with the "inequality and economic marginalisation" programme, together with assessing issues such as resource scarcity, (water and land), will also be important.

Cross-cutting activities

The strategic reassessment also identified a number of cross-cutting roles for TIPS:

- Conducting or commissioning research (areas would be first identified and then relevant partnerships would be sought out and established);
- Conducting or commissioning capacity-building activities (first areas and stakeholders would be identified, then, where necessary, delivery partners would be sought);
- Disseminating research and knowledge (research and knowledge would be shared via the website and through electronic forms of distribution);
- Facilitating dialogue around policy development and implementation (discourse discussion would be facilitated to come to a common understanding across diverse range of relevant stakeholders to ensure optimal outcomes);
- Marketing and profile-raising activities (including networking and relationship building, presenting research, publications and outputs such as policy briefs, research notes and position papers through the website, electronic distribution or in person).

While these roles would be undertaken across all six focus areas, they would be tailor-made to each specific area to take into account individual nuances and characteristics. For example, a critical issue that has been identified is the need to increase the level of understanding around climate change. This would form part of the capacity building that TIPS would undertake within its environmental sustainability programme through development dialogues, small documents (e.g. policy briefs) and workshops tailored to stakeholders' needs.

In the trade programme, TIPS would seek to continue to build on its more developed training programme through the provision of its advanced trade training courses, which continue to be demanded by various stakeholders within South Africa and in the region.

Building on existing, as well as establishing new strategic partnerships, will be crucial for TIPS to fulfil its respective roles.

RESEARCH ACTIVITIES

TIPS's reputation for quality research which is not only academically sound but also policy-relevant remains a key competitive advantage in South Africa and the region. With the exception of contract research, most of the programme research is presented at open forums such as conferences or seminars. This ensures an implicit element of quality control. In addition, 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 few 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: much university research is now directly contracted to government departments. In addition, many individual researchers are now contracted directly by government in their personal capacities. TIPS's 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. Projects which, moreover, 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 able to support the research community.

We believe that TIPS has been 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. The issuing of small research grants illustrates continuous efforts by TIPS to support policy relevant student work.

TIP's research activities continue to be focussed around trade and industrial policy. The organisation undertakes research for a wide range of government departments, non-profit organisations and regional bodies, including, but not limited to:

South African Presidency
South African Department of Trade and Industry
South African Department of Environmental Affairs
South African Department of Energy
SADC Secretariat
British High Commission
International Labour Organization
Universidade Federal de Rio de Janeiro
World Wildlife Fund
OECD

In 2008, TIPS broadened its theme areas and introduced some cross-cutting activities aimed at assisting in integrating its work more effectively. Following this the research themes in 2009 were as follows:

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

TIPS's reputation for quality research that is academically sound and also policy relevant remains a competitive advantage in South Africa and the region





KOPPIES

COMMUNITY WORK PROGRAMME

Participation in the Koppies programme in the Free State reached 1 538 during December 2009 – a gratifying increase over the 548 active participants at the start of that quarter. Participants report high levels of satisfaction with the programme and its outcomes.

Good relationships have been forged with local churches, NGOs, community-based organisations and the local municipality. Staff appointed in the period under review include a local project manager, three local administrators and 30 local co-ordinators.

The CWP team is completing a large community park, has created food gardens in the township and in a number of church yards with the produce going to needy families. Services delivered include landscaping, cleaning the tar road, garbage removal, a bottle recycling initiative, and the cleaning and maintenance of government buildings and centres such as the library, halls and swimming pool, and cleaning up legal and illegal dumping sites.

Other achievements include the rehabilitation of local roads and filling in potholes. This was undertaken in partnership with the Ngwathe Municipality.



Participants assisted in building a shack for a group of needy, orphaned boys, helping out at the library at the Kwakwatsi School, and helping with maintenance and repairs at the Dibaseholo School.

Education initiatives included advice and assistance in the keeping of chickens. Youth issues were tackled in forums. Training was arranged covering women and child abuse, correct ways to report a crime and, for 80 people, basic financial management techniques.

For more about the CWP, see page 25.



Trade

During 2009, TIPS continued to support *the dti* with its trade policy agenda. Demands for support focused around assessing opportunities for a potential free trade agreement between Korea and South Africa, as well continued support for the Trade Policy Review process began in 2008. The analysis related to Korea is ongoing with *the dti* having requested TIPS to prepare an overview report of recent trends in bilateral trade, investment and economic relations between the two countries. Support to government on trade-related matters extended to Parliament and TIPS was asked to make a presentation to Parliament in August 2009 to further understanding around specific issues, including around South African International Trade Agreements and south-south relations.

TIPS has continued to make presentations around crucial issues on the regional trade agenda, for example at the Southern African Forum on Trade (SAFT) where the organisation presented a paper putting forward a proposal and approach related to the Rules of Origin, following the decision by Heads of States of the three regional blocs, COMESA, SADC and the EAC, to form one large Free Trade Area.

Other activities included a peer review of a report produced by UNCTAD. Recommendations were made to UNCTAD that the reports be released, given the simplicity of the powerful techniques used in the report and its scope. The TIPS reviewers noted, however, that the authors should pay attention to policy interventions and look into detailing these subsequently as both the supply and consumption of social services is influenced by particular models of delivery and by government ideologies.

Work under the SADC Trade Database continued, with five research papers being commissioned, with a focus on using data analysis to strongly underpin the research papers. More details on the activities undertaken within the programme are available in the section under Programmes (see page 23).

Industrial policy

TIPS's public-good work included industrial policy. TIPS was requested by *the dti* to do some analytical work around formulating a Bus Procurement Strategy. In May 2009, TIPS provided *the dti* with a research report detailing the scope and status of South Africa's bus sector (manufacturers and operators). The report highlighted strategies for enhancing local production of buses and bus components and covered South Africa's procurement legislation and related issues extensively.

A presentation of the research findings was delivered to representatives of *the dti*. Further work involved looking into the solar water heater (SWH) sector. This was aimed at identifying policy gaps and at looking into the possibility of developing a co-ordination mechanism for the various initiatives by different institutions that are at different stages of implementation. This work is ongoing and will examine SWH procurement (production or importation), standardisation processes and barriers/constraints to roll-out as well as single out policy gaps.

In 2009 TIPS began assisting *the dti* around an updated Industrial Policy Action Plan (IPAP) document, which aims to upscale the strategic work around sectors with employment and growth potential. Further details are available under the section on TIPS Programmes (see page 24).

Exciting new areas included compiling a Market Analysis Report for CAMCO – an international environmental consultancy – on the commercial risks and opportunities presented by climate change in South Africa. The first section of the report, now completed, reviews all economic sectors in South Africa. Over 18 sector reports have been concluded along with a number of case studies which are ongoing. These case studies will be developed to form the body of the report and guide concrete interventions by climate change experts to help firms address particular climate change challenges relevant to their business. A Climate Change Risks and Opportunities workshop was held as part of the project on 14 August 2009. TIPS presented a case study and was responsible for much of the reporting. This work and will be completed in mid-2010.

Further consulting work included participating in the National Innovation Systems of BRICS Countries project in collaboration with the Fundação Universitária José Bonifácio of Brazil. The resulting publication *TNCs and innovation – The case of South Africa* was submitted by TIPS, with the contribution of Glen Robbins (an industry and sector expert from the School of Development Studies at the University of KwaZulu- Natal), to the project.

A broader innovation project is envisaged for South Africa from this work in 2010 with the IERI at the Tshwane University of Technology.



LEPHEPANE

COMMUNITY WORK PROGRAMME

The Lephepane Community Work Programme in Greater Tzaneen, Limpopo has forged strong ties with the local municipality and the relationship has been quick to bear fruit. Assistance has been forthcoming for park development as well as for training participants on crucial subjects such as soil maintenance. In addition, six participants attended a five-day Community Development Learnership Programme and another 50 completed Seda Cooperative Development training. Participants have also been involved in HIV/AIDS training.

The Lephepane team has also established good relationships with local schools and crèches as well as with the local House of Traditional Leaders, and local taxi association. The local House of Traditional Leaders subsequently donated a fence to the organic vegetable garden that was being planted at a primary school.

Programme participants say the CWP has played a vital role in improving matters for community. Among the achievements listed are a survey in neighbouring villages identifying areas where help is needed both on a personal level and a community level, the outcomes of which were shared with the Department of Home Affairs, the SA Police Service, the South African Social Security Agency and local ward councillors.

A total of 342 orphaned and vulnerable children were identified and initial steps taken towards establishing drop-in centres in the area to assist them.

Environmental initiatives undertaken included community landscaping and rehabilitation as well as initial steps to establishing a community vegetable garden. The community cleaning programme continued with a number of projects being undertaken. Local crèches were assisted with toilet facilities and facility rehabilitation. Basic repair work was also carried out on the local roads infrastructure.

For more about the CWP, see page 25.



Research commissioned by TIPS

Research was commissioned through the Southern African Development Research Network under the three theme areas Trade and Poverty, Trade in Services and Industrial Policy, in partnership with the Botswana Institute for Development Policy Analysis and the University of Mauritius, though research was commissioned within the organisations themselves also. With the benefit of support from AusAID, through the SADC Trade Database project, TIPS was also able to commission research from the SADC region, with a focus on quantitative analysis of trade-related policy issues. Through a DFID programme, initiated by the Presidency to inform a government framework to address marginalisation and inequality within South Africa, TIPS commissioned a number of papers to shape the development of this critical policy document, namely the Second Economy Framework.

TIPS was requested to contribute the chapters to the Presidency's 15-year Review of the Economy, specifically for Agriculture, Trade, Industrial Policy and the Informal Economy.

TIPS also partners with organisations in commissioning research, for example a paper produced with the South African Institute of International Affairs titled *Balance of payments dynamics, institutions and economic performance in South Africa* by Professor Andreas Freytag. Other research work commissioned by TIPS included papers linked to overseas experts such as the economic advisor to the President of Chile, Viktor Tokman, who wrote a paper on *Informality in Latin America*.

TIPS received requests from other institutions to conduct independent research for the public domain. This included the Foundation for African Business and Consumer Services (FABCOS) report titled *The impact of rising food and fuel prices on small business* and, among others, a discussion document on *Mozambican air transport liberalisation* for the ComMark Trust. Some research papers and reports are not available in the public domain. TIPS completed these to provide information to policymakers to assist them in their trade and industrial policy negotiations. These included a report investigating the possible outcomes of a Free Trade Agreement between South Africa and South Korea and a feasibility study on procurement possibilities around bus production in South Africa. TIPS has also continued to work closely with *the dti*, having been tasked to provide analytical inputs to inform the Trade Policy Framework Document.

TIPS staff are regularly involved with their own research. Staff explored the COMESA-EAC-SADC Trilateral Free Trade Area. TIPS also involves interns in conducting research, for example, a research paper on *China's influence on the SADC banking sector*. At times these are of working paper quality, for example a paper related to South Africa as a developmental state.

Finally, TIPS staff regularly engage in peer reviewing activities, for example on the behalf of UNCTAD in 2009, and a few members of staff act as referees for journals with an editing board in South Africa (e.g. for the South African Journal of Economics) or beyond (e.g. for World Development).

² IERI is currently engaged in the launching of a number of books. The work produced by TIPS will be used as a chapter in one of these volumes.

Research grants – small grants and internships

TIPS has a small grant facility used to encourage university students to produce research papers on topics of their choice though supervised by members of academia or experts. This facility and the internship programmes gained momentum in 2009, including contributions to research outputs published by TIPS:

Daniel Poon – South Africa's developmental state makeover: A comparative study between China and South Africa's industrial policies. This paper, which sets out the performance of South Africa and China relative to the developmental model, focuses on policy measures crafted to ease critical developmental bottlenecks and push South African economic trends closer to those befitting a country and its people on the dynamic rise.

Kibii Komen – Solar water heaters: a preliminary approach to production prospects in South Africa. This paper looks at improving the co-ordination of existing initiatives related to solar water heaters from the perspective of different players (government, the private sector, the regulator). An initial scoping exercise on the sector is being carried out to confirm the need for such research or to identify an alternative research piece focused on an issue pertaining to the environment.

Renato Johnson – Working Paper on Remittances, circular migration and employment. This paper discusses the effects of circular migration. A positive migratory experience will see an individual increasing his or her financial, human and social capital. This facilitates entrepreneurial activities in both home and host countries, including fostering trade linkages between sending and receiving countries. Hence this paradigm helps us consider how migration can stimulate employment. The paper considers this premise with reference to the Southern African sub-region.

Memory Dube – Towards a new partnership: China in the SADC banking sector. This paper looks at China's involvement in the banking sector in SADC through the lens of its drive to acquire markets as well as resources from Africa. The paper highlights potentially important benefits to enhanced Sino-African relations and investments in the banking sector.

Quinty Moroaswi – Agricultural policy and the competitiveness of South African agriculture. This study examines the effect of tariff reduction on the agricultural sector South Africa.

Nicola Viegi and M Parusel – Economic policy in turbulent times. This paper employs the Bernanke-Gertler-Gilchrist "financial accelerator" model to study current economic conditions in South Africa. Given the turbulent financial market conditions, the authors investigate the optimal monetary policy response as well as the potential role fiscal policy might play.

Working papers

The papers can be developed into new research pieces for use as reference documents by the broader research and even policy-making community in South Africa and other countries.

These papers are wide in scope:

- Informality in Latin America: Interpretations, facts and opportunities by Viktor Tokman
- China's evolving industrial policy strategies and instruments: Lessons for development by Daniel Poon
- Export market selection methods and the identification of realistic export opportunities for South Africa using a decision support model by E Steenkamp, R Rossouw, W Viviers and L Cuyvers.
- South Africa's developmental state makeover by Daniel Poon
- Exploring the COMESA-EAC-SADC trilateral Free Trade Area: An approach to Rules of Origin by Mmatlou Kalaba
- Circular migration and employment in Southern Africa by Renato Johnsson Nuñez

AusAid research grant papers

Under the AusAid programme, TIPS funded research on trade-related policy analysis. Papers were sponsored on condition they were analytical and based on quantitative elements using trade data sourced from the SADC Trade Database, or alternative sources such as UN Comtrade.

- The impact of Mode IV on trade in goods in the SADC region by A Makochekanwa
- The impact of SADC trade on energy use by M Kohler
- SADC regional integration: What role has bilateral trade agreements played in promoting intra-regional trade? by J Maringwa – forthcoming
- An empirical assessment of the impact of trade liberalisation on employment in South Africa by E Chinembiri – forthcoming
- Trade and climate change: The environment from developmental and economic perspectives in Southern African Development Community (SADC) by Jonas Capoca

SADRN Industrial Policy Thematic Working Group Reports.

These papers detail the industrial policies of countries in the Southern African region, how these policies have changed over time, and with what results. The authors also looked at trade policy in the countries under scrutiny and commented on the links between trade and industrial policy. The papers are part of the broader SADRN project.

- Linkages between trade and industrial policies in Botswana by Farai Zizhou
- Linkages between trade and industrial policies: The case of Zimbabwe by Evangelista Mudzonga
- Trade and industry performance in Malawi: Opportunities and policy challenges by Lawrence Mapemba
- Trade and industrialisation policies experienced from Zambia by Dale Mudenda

Others

- Economic policy in turbulent times by M Parusel and N Viegi
- Towards a new partnership: China in the SADC banking sector by M Dube

Not published

- Innovation Report



ADVOCACY AND DISEMMINATION

To facilitate policy dialogue and raise awareness around key economic development policy issues, TIPS continued to host Development in Dialogues Seminars in 2009. These seminars involve a broad range of policy stakeholders and offer a platform to share views and ideas on development issues and alternative policy strategies. The seminars also served as part of TIPS's capacity building objective.

The following Development Dialogue Seminars were conducted in 2009:

3 March 2009: Recent trends in international trade and the impact of the financial crisis on international trade and the Southern Africa region by Professor Robert Z Lawrence. This seminar was organised in close co-operation with ERSA, the South African economic network for academia, as well as with *the dti*.

27 March 2009: Moving away from resource dependence by Dr Neva Makgetla.

8 May 2009: India emerging: Reality checks in a globalising economy by Dr Veena Jha.

15 May 2009: South Africa and the credit crunch by Professor Nicola Viegi (University of Cape Town), Professor Ben Smit (BER and Stellenbosch) and Dr Christopher Loewald (National Treasury)

10 June 2009: What can developing countries learn about curbing inequality from the record of industrial countries? by Professor Albert Berry

3 July 2009: What do we know about South African exporters from micro-data? by Dr Neil Rankin (University of the Witwatersrand)

24 July 2009: Tourism from a trade perspective: Sources of comparative advantages and implications for South Africa and the region by Johan Fourie (University of Stellenbosch)

Two other events were held under the auspices of the SADRN and CAMCO project respectively. The SADRN researchers' workshop was held on 16 and 17 November 2009. TIPS staff took on a number of roles, including as discussants for research papers presented. In addition, a Climate Change Risks and Opportunities workshop was held as part of the CAMCO project on 14 August 2009.

TIPS was also asked to present on the Community Work Programme during 2009 at various occasions, including at the UNDP Levy Institute Conference on Public Employment Programmes in the Crisis, held in New York.

TIPS staff have also been invited to forums focused on policy discussion and research dissemination. In certain instances TIPS presented some of its own work and views. The following detail such events:

26 – 27 February 2009: SADC and EAC 2009 regional conference on Challenges of EPA Negotiations; Zimbabwe, Harare. The event was organised by one of the SADRN network members and partners, the Trade and Development Studies Centre based in Zimbabwe. TIPS made a presentation on *Comparative analysis of lessons from ESA, EAC and SADC interim EPAs, lessons and challenges faced. Why some initialled interim EPAs while others did not.*

4 – 5 March 2009: ERSA workshop on Current Trade Policy Issues by Prof Robert Lawrence; Pretoria, South Africa. The workshop covered topics such as the impact of globalisation on economic development and inequality, the governance of global trade, regionalism and multilateralism and the Doha round and beyond.

18 March 2009: BIDPA's inception workshop on the Trade and Pro-poor Growth theme; Botswana. The main objectives were to launch the Trade Policy and Pro-Poor Growth theme and to enhance capacity of regional researchers. The workshop emphasised research methods as the group that attended is also expected to undertake research in the area of trade and poverty. The two main facilitators at this workshop were Dr Ravindra Yatawara, a Senior Economist at the Trade Group at the World Bank Institute, and Prof Margaret McMillan, an Associate Professor at the Department of Economics at Tufts University and a Faculty Research Associate of the National Bureau of Economic Research. TIPS made two presentations, one on SADRN and another on regional data needs.

26 – 27 March 2009: ERSA workshop: Financial Instability; Stellenbosch, South Africa. A workshop anchored by Barry Eichengreen from UCB discussing the recession and the world financial crises over the years since the Great Depression.

31 March 2009: Global dialogue – World Bank Trade Impact of and Trade Policy Responses to the Global Economic Crisis (part day); Pretoria, South Africa. A multi-country dialogue set up by the World Bank around a position paper from Prof Bhagwati. TIPS was asked to present as part of the South African representation's input to the dialogue.

12 May 2009: Seminar hosted by Wits University and the Open Society Initiative for Southern Africa on Post G-20 Summit Reflections: Issues and Perspectives for Africa; Johannesburg, South Africa. The aim of the seminar was to get a multi-faceted view of how the G-20 Summit was seen to provide a space for advancing or curbing development in Africa.

15 May 2009: SAFT conference preparation meeting; Gabarone, Botswana. The aim of the meeting was to prepare for the conference that was to be held later that year by suggesting relevant and useful topics for the papers and sessions.

27 May 2009: City of Tshwane's International Conference on Trade and Investment; Pretoria, South Africa. TIPS presented a paper on *Trade Development and Investment in South Africa*.

28 – 29 of May 2009: National Treasury Symposium (with ERSA) – Economy-wide Analysis Economic Policy; Pretoria, South Africa. Presentations of CGE work carried out in Africa, including South Africa, to assess the relevance and impact of particular policy interventions. The symposium served more broadly to also evaluate the need for an expanded CGE research platform at National Treasury.

18 – 19 June 2009: International conference on Trade in Services; Durban, South Africa. TIPS was asked to provide input on services in South Africa. TIPS staff prepared and delivered a presentation on *Enhancing the efficiency of the South African service economy*.

18 June 2009: Workshop on Services Trade Statistics hosted by the University of Mauritius as the SADRN thematic working group host on Trade in Services; Mauritius. The workshop had two main objectives, first to launch the SADRN theme and second to provide an

opportunity for researchers to present their proposals. Four research papers were presented and participants commented on these. In addition a technical team was formed to formally assess the papers. Present at the workshop the Dean of the Faculty of Law and Management and Associate Professor Roubina Juwaheer, two Vice Chancellors of the UoM, Prof Ghurib-Fakim and Prof Rughooputh. The facilitator and resource person was Dr Tabitha Kiriti from University of Nairobi. TIPS made a presentation on SADRN.

28 July: Closed roundtable at the IGD driven by South Africa's permanent representative to the World Trade Organization (WTO), Faizel Ismail; Midrand, South Africa. The paper presented by Ismail entitled *Reforming the WTO* drove an informal discussion on developments in multilateral trade, including the prospects for Doha and institutional reforms to the WTO (though not full day).

3 – 4 August 2009: Southern African Forum on Trade (SAFT) Conference about exploring opportunities and challenges of the proposed trilateral free trade area (FTA) between SADC, COMESA and EAC; Pretoria, South Africa. TIPS presented on *The identification of approach to Rules of Origin for such an FTA*.

4 August 2009: ERSA/South African Savings Institute Savings Workshop; Pretoria, South Africa. This workshop focused on South Africa's savings history. A number of papers were presented with many finding commonalities in household, government and corporate savings trajectories.

13 August 2009: Southern African Institute of International Affairs, Development through Trade Programme Scoping Workshop; Pretoria, South Africa. The purpose of the workshop was to engage trade policy experts in the region to define a two-year research agenda for the region.

17 – 18 August 2009: The Institute for Global Dialogue hosted a workshop, Climate Change and Development: Driving an alternative energy future for Southern Africa; Midrand, South Africa. The purpose of the workshop was to consider the value of renewable energy as part of Southern Africa's energy mix, as well as to address a number of regulatory barriers and economic distortions impacting on the integration and co-ordination of a renewable energy policy within the region.

19 August 2009: State of the Economy Conference held at the Reserve Bank of South Africa; Pretoria, South Africa. TIPS presented a paper on *The stimulus package and South Africa's response to recession*.

21 August 2009: Parliament, Cape Town: TIPS was invited by the Portfolio Committee on Trade and Industry of the Parliament of South Africa to contribute at a seminar. The purpose of the seminar was to broaden parliamentarians' and committee members' understanding of the trade landscape as well as the implications. The seminar was also meant to establish a platform for future trade negotiations. TIPS presented a background piece on South Africa's international trade agreements, which also tackled issues such as south-south co-operation.

2 September 2009: Presentations by Alice Amsden and KS Jomo; South Africa. These presentations formed part of a closed high-level workshop under the umbrella of the African Programme on Rethinking Development Economics (APORDE). Invitations were issued by *the dti* as it sought to foster in-depth discussions on the challenges facing emerging countries in the world economy and on promoting local manufacturing. APORDE is sponsored by the French Embassy, the French Institute of South Africa.

17 September 2009: Launch of UNCTAD's World Investment Report hosted by the Industrial Development Corporation; Johannesburg, South Africa. The meeting presented the World Investment Report, relating trends in foreign direct investments globally, relating key in-country examples by UNCTAD experts. The presentation was conducted via telecon and allowed for a discussion around the findings.

23 September 2009: Solar Water Heaters Rollout Conference; Johannesburg, South Africa. The South African government organised a conference on increasing the uptake of solar water heaters in South Africa.

5 – 6 October 2009: IDRC Firm Dynamics and Labour Markets workshop – ERSA; South Africa. This event presented the quantitative work carried out by Wits and the University of Oxford in partnership with IDRC and ERSA and researchers in a number of African countries on firm dynamics and labour markets. The research focused on the demand side of labour and on firm characteristics in driving such demand using data from a variety of sources.

15 – 16 October 2009: SANGONET ICT Workshop; Johannesburg, South Africa. This NGO-targeted workshop on the application of information and communications technology focused on the use of social media outlets for NGO purposes.

26 October 2009: Presentation of the South Africa-European Commission Country Strategy Paper Mid-Term Review; Pretoria, South Africa. The purpose of the workshop was for civil society to engage with the results of the mid-term review analysis of the Country Strategy Paper, as well as facilitate a discussion on perceptions and thoughts about the future of the EC-SA development co-operation.

26 – 27 October 2009: Second South African-German Conference on Science for Sustainability; South Africa. This conference, sponsored by the German government in partnership with CSIR, focused on the concept of sustainable development. The theme was around innovation for sustainability and options for greening the developmental state. The workshop sought to bring science and policy-makers together on the debate.

29 October 2009: The Development Bank of Southern Africa and University of Johannesburg hosted a seminar on Regional Free Trade Areas – The Role of Regional Institutions in Trade Facilitation; Midrand, South Africa. The aim of this seminar was to explore the challenges and opportunities of regional trade facilitation within regional economic communities and the role that of development finance institutions and other regional institutions.

5 November 2009: Solar Water Heater Framework Conference; Johannesburg, South Africa. The conference related to the drafting of South Africa's Solar Water Heating Industry framework document. It focused on identifying mechanisms to increase local production.

9 November 2009: SAIIA's Development through Trade Programme hosted a public forum in Cape Town on Promoting Dialogue on Trade Policy Reform in South Africa. The purpose was to scrutinise South Africa's trade policy measures proposed by the draft trade policy document. Tariff review, subsidies and transparency were among the issues explored at the forum, though of most interest to TIPS was the raising of the importance of transparency in policymaking, which directly contributes to improved confidence in such policies. TIPS was hosted by SAIIA to attend and participate in some of the closed sessions that were held around the event.

11 – 12 November 2009: NEPAD-OECD Africa Investment Conference; Johannesburg, South Africa. This conference brought together African ministers to discuss issues around investment policy. The event focused on identifying bottlenecks, facilitating regional co-operation and implementing investment policy reforms in order to improve investment environments.

18 November 2009: SAIIA and Institute for Global Dialogue roundtable discussion on the WTO's November Ministerial Conference: What Prospects for a Doha Deal? Pretoria, South Africa. The workshop considered three issues: longer-term reform of the multilateral trading system; the focus of the November Ministerial and prospects for Doha deal-making; and potential impacts of a Doha compromise on industrial tariff cuts for South Africa and its SACU counterparts, especially with regard to the former's industrial and development policies. TIPS was asked to chair the session on the expected outcomes of the Ministerial.

4 December 2009: South African Wind Energy Association Standards Workshop; Stellenbosch. The workshop was geared towards finding common ground between government, the private sector, standards and accreditation organisations in South Africa on the local production of wind turbines for the South African wind energy project. The workshop was useful for industry stakeholders because one of the main outcomes was that a working group (under the South African Bureau of Standards) and a special technicians committee (chaired by the South African National Accreditation System involving all interested parties) were formed.

In 2010 TIPS plans to cover some of the following themes: water, renewable energy, carbon footprint calculations, growth, poverty and competition.

Largely as part of its research dissemination role, TIPS has played a crucial role in linking academics with policymakers – and academics with each other, although this role has diminished in recent years as academia is developing its own network. Channels for this have been not only the Development in Dialogue Seminars, but also the TIPS Annual Forum, where economic policy research papers are presented and discussed, and which is attended by broad spectrum of stakeholders and experts.

MUNSIEVILLE

COMMUNITY WORK PROGRAMME

The Munsieville CWP in Gauteng attained capacity attendance during the period under review with 1 500 active participants. This is the maximum number of participants the community can support in this role and, fortunately, the work available remains sufficient for this number.

Scholars participating doubled each month in the final quarter under review, in the process learning a valuable lesson of providing a service and being an active part in the development and growth of their own community. In general, the community is happy with the work being done and acknowledges the positive changes – notably that people previously without a legitimate income, and who had been engaged in criminal activities, now had an opportunity to work and earn their own money. An induction session was held in October 2009 to revive participant and staff commitment and understanding of their roles. Activities targeted at addressing social issues and concerns were tackled – these ranged from anti-child abuse campaigns to social surveys to identify those in need of assistance as well as linking some participants with opportunities such as learnership programmes. Various training and education workshops were undertaken, including awareness on women and child abuse, mental health issues, HIV/AIDS, cancer and first aid and fire fighting training.

Other social responsibility exercises included a survey on vulnerable people and providing stationery items for orphaned schoolchildren. In co-operation with the Yusuf Dadoo Hospital, awareness-raising around issues such as rape and teenage pregnancies was carried out. Relationships were forged with SETA, the Mogale City Tourism Association and the local SA Police Service. Food gardens were planted and the crops distributed, and extensive cleaning and rehabilitation was undertaken in the area.

For more about the CWP, see page 25.

CAPACITY BUILDING

There is a strong focus on capacity building both internally and externally at TIPS. Internally, staff are supported to further their formal education at university level. Two junior economists at TIPS have been accepted for distance-learning post-graduate courses at the School of Oriental and African Studies at the University of London in 2010. TIPS will partially fund these studies. Staff also attend a variety of training courses such as those run by ERSA. In 2009, for example, ERSA funded a trade course with an eminent trade economist, Professor Robert Lawrence, which three of TIPS staff attended.

Going forward there will also be a focus on project management training. The administrative staff are also sponsored to attend training in areas such as labour law, human resource management, accounting and advanced computer skills.

Individuals are supported through a number of channels both internally and externally. TIPS will continue to provide in-house support through its internship programme, having already hosted eight interns since this commenced in 2008. Interns from outside South Africa are also encouraged, but need to be on study permits due to South African work permit regulations.

TIPS supports young researchers through its small grant scheme. Furthermore, TIPS responds to numerous data-related queries, which serve to guide young researchers to relevant sources or directly suggest solutions to specific data problems. TIPS also provides quality control for individual research pieces, taking time to edit papers, particularly focussing on economic substance. This is a time-consuming activity considering the general weakness of the research quality in the SADC region, but this assists in improving such capacity.

TIPS also conducts various capacity building activities for external partners, particularly academics and policymakers. Through the Aus-AID funded programme, TIPS has built up a reputation for providing trade-related training. Trade courses have been conducted in a range of countries in the region, including Madagascar. In 2009 UNDP requested TIPS to run a trade data training workshop in Zambia for the Ministry of Trade, Commerce and Industry, which took place in May.

This advanced trade analysis course was based on the SADC Trade Database and its functions, followed by in-depth application of analytical tools and indicators. Such activities will continue in 2010 as TIPS continues to receive requests from throughout the region for this service. TIPS plans update its training modules, which focus on analytical tools for informing trade policy thinking and formulation. It will provide a stronger focus on linkages to strengthening trade negotiation skills, particularly related to the EPA process. This is important for the region and already in demand.

Higher more specialised training also takes place. TIPS hosted an Introduction to Economy-Wide Policy Impact Analysis workshop from 23 to 27 February, the eighth workshop of its kind since 2001. The workshop was designed and presented by academics and experts in the field of economy-wide policy modelling. Lectures introduced the theory and provided insight into the scope of research possible using modelling technique, for example, input-output (IO) and social accounting matrix (SAM) analysis. More importantly, each lecture was followed by hands-on exercises where the theory or model was applied using economic data from South Africa and other Southern African countries. Apart from imparting the practical skills needed to apply the theory, these exercises familiarise participants with key features of economies studied. Participants also presented brief group projects using the modelling tools learnt during the workshop.

Participants were from both within South Africa and from the region, as well as a cross-section of stakeholders, from policymakers to researchers.

PROGRAMMES

Programme activities, namely the TIPS/AusAID SADC Trade Database Programme, the IDRC-funded Southern African Development Research Network and the DFID-funded Second Economy Strategy Project have continued at full steam. This year, TIPS was also involved in supporting the Industrial Policy Action Plan upscaling process.



SADC Trade Database

TIPS continues to host the SADC Trade Database, which provides trade statistics for the region as a public good. During 2009, as the programme in its current form came to an end, TIPS implemented a series of activities to ensure sustainability beyond the AusAID funding.

While the availability of trade data for the region has improved substantially in the past few years, the need to improve the user-friendliness and open access to this data remains. While the quality of trade data has improved this is not the case for other types of data such as that related to manufacturing and employment. If the region is to improve its ability to formulate policy with a strong evidence-based foundation, data quality and availability is crucial.

TIPS's experience in setting up and running the SADC Trade Database has provided the organisation with an intimate understanding of the challenges that come with trying to meet this objective. In 2009, TIPS, in partnership with BIDPA (Botswana Institute for Development Policy Analysis), as well as the SADC Secretariat, began a process of trying to improve data quality and availability in a comprehensive way in the region. The concept of having a "one-stop data portal" for the SADC region was born. The idea is to have a comprehensive range of data publicly available in a central, easily accessible source such as a website, with the data being in a format to facilitate, for example, trade negotiations of SADC as a whole.



As a first step towards the process, in 2009, TIPS conducted a comprehensive data needs analysis of the region. The aim was to assess what data researchers and policymakers in the region require, as well as what is available.

Initial findings were presented to a regional meeting of SADC statisticians together with a concept note for the data portal. While there was agreement around the need for such a vehicle, the enormity of the challenge of realising this was foremost.

It was evident that the process should be continued in a step-by-step fashion. As such, going into 2010, TIPS will continue to work with the SADC Secretariat to improve its own capacity to enable the transfer of the SADC Trade Database, as well as support to improve the provision of statistics in other areas. Work in the area of macroeconomic statistics is due to begin in early 2010.

A series of SADC trade-related research papers were also commissioned. Work was also undertaken with Dirk van Seventer – TIPS's former trade data expert who is currently in New Zealand – to develop some Excel training tools to assist policymakers and researchers in the region in conducting necessary trade analysis via the web. Comprehensive tariff data has also been made available on the website through this programme, and a manual was drafted to assist users to diversify their data sourcing to include UN Comtrade

If the region is to improve its ability to formulate policy with a strong evidence-based foundation, data quality and availability is crucial

Southern African Development Research Network

Within SADRN, programme activities have continued to build on the work from 2008, which included two inception workshops in Botswana and Mauritius by the two partner institutions under the project. The research under SADRN is approaching its closing stages. A final workshop took place in November 2009 at which all the research papers produced from the three thematic working groups was presented. TIPS continues to play a key role, particularly with the industrial policy working group, peer reviewing and editing of research papers, as well as facilitating policy dialogue around regional aspects of industrial development.

Industrial Policy Action Plan upscaling

During 2009 TIPS worked closely with *the dti* to assist in commissioning research papers to inform an upscaled Industrial Policy Action Plan document that was planned for presentation to Cabinet in early 2010. TIPS acted as the Secretariat for the process, assisting with the organisation of strategy sessions, as well as mobilising resources provided by *the dti* to commission the background documentation. Several versions of the revised Industrial Policy Action Plan document were formulated during 2009, informed by the research papers, which were aimed as a guideline for the development of practical sectoral action plans for specific identified priority sectors.

TIPS was specifically responsible for driving work for the following: research for the scaled-up automotive and components Industrial Policy Action Plan; scaling up interventions in metal fabrication, capital equipment and transport equipment sectors; development of a strategic action paper scoping opportunities for growth and decent jobs in plastics fabrication; and leveraging public procurement strategically for industrial development.

While the documents are not yet available in the public domain, *the dti* has agreed to TIPS developing as much of the material as is possible for public consumption. Further work will continue in 2010 as the document is further refined and more sector action plans are developed. TIPS will conduct work on the formulation of a sectoral action plan for the Concentrated Solar Power sector in partnership with World Wildlife Fund.



PEFFERVILLE

COMMUNITY WORK PROGRAMME

Nominally, participation in the Pefferville programme in the Eastern Cape stands at around 1 400 people. However, because of problems with a shortage of tools and equipment, a more realistic figure is closer to 900. Local community members have encouraged and supported the CWP, and even those not active in the programme have been willing to help out where they feel they are needed or where they could make a difference.

Park development initiatives saw two community parks being created and trees and flowers planted. The Department of Agriculture provided Pefferville CWP with trees, compost and flowers. Waste Management Services supplied refuse bags. A recycling initiative was begun and work on this will continue. A good relationship with the Department of Sports, Recreation, Arts and Culture led to attendance at a water safety workshop.

Various life skills and training initiatives were undertaken, including on HIV/AIDS, human trafficking, various types of abuse and basic self defence tactics. A sports team is coaching the children in the schools.

Extensive community cleaning and rehabilitation was undertaken, including mending fences at schools and at various yards, fixing water pipes and storm water drains, and cleaning gutters. Local schools were also helped with painting, plumbing and fixing toilet doors.

For more about the CWP, see page 25.





Second Economy Strategy Project and Community Work Programme

The Second Economy Strategy Project was initiated by the Presidency, after the AsgiSA³ Annual Report presented in February 2007 identified a need for more focus on 'the second economy', and on mechanisms to ensure shared growth reaches the margins of the economy. This strategy process was hosted by TIPS, and reported into the AsgiSA High Level Task Team in the Presidency. DFID-SA funded the associated research programme, which covered the following broad theme areas:

- Inequality,
- Sector strategies,
- Small enterprise and the informal sector,
- Building inclusive and efficient cities,
- Rural development, and
- Public employment strategies.

A conference, Second Economy Strategy: Addressing Inequality and Economic Marginalisation, was held in September 2008 at which the research was presented. A strategic framework was developed to synthesise this work and, after presentation to the Presidency, the social and economic clusters and Forum of South African Director Generals was approved by Cabinet in January 2009. After a period of policy hiatus in the build-up to elections, a renewed focus on policy, strategy and scope for innovation since then is now creating new opportunities to take this work forward.

The Second Economy Strategy Framework highlights the scale of challenges that need to be confronted to address structural inequality and the associated high levels of economic marginalisation, and argues that while an agenda to address these is urgent, it will take time to impact, as these will involve structural and market-change processes. The impacts of such processes will tend to reach the most economically marginalised people last. It is argued, therefore, that a complementary set of strategies is required to reach the most marginalised. Such strategies need to be publicly driven, and aim to unlock the economic agency of poor people in a context in which for now at least, they remain largely excluded from more market-based forms of economic participation.

In this context, as part of the Second Economy Strategy Project, the need to scale up public employment initiatives was identified, and the concept of the Community Work Programme (CWP) was developed.

This programme has piloted the minimum work guarantee scheme concept that was successfully implemented in India. Additional funds were secured from DFID to pilot this concept; the pilot phase was managed under the auspices of the Second Economy Strategy Project within TIPS. Deemed one of the most successful employment programmes, the CWP has subsequently been accepted as part of government's public employment policies. It is being transferred into government, and will be fully managed by the Department of Cooperative Governance within the Ministry of Cooperative Governance and Traditional Affairs from April 2010. In the course of 2010, TIPS will therefore be withdrawing, seeking to focus more around policy monitoring and evaluation support, including conducting research around impact analysis.



The CWP continued to show positive results in the year under review. Site reports paint a picture of communities committed to working together to meet the challenges that face them (see boxes throughout this report profiling CWP sites).

Highlights are that attendance rates are increasing and that the work being done is being recognised by the community as beneficial and useful. There have been notable improvements in quality of life and the boxes in this report provide snapshots of some of the CWP sites around the country.

On the social and personal levels, those closest to the ground – the project managers – point to evidence of an impact on rates of alcoholism, drug abuse, sexual abuse and crime. Importantly, the CWP brings self-respect and dignity to people who now view themselves as contributing members of society, people who are needed by their communities.

³ The Accelerated and Shared Growth Initiative for South Africa (AsgiSA) is a national initiative, which aims to halve unemployment and poverty by 2014. It was launched in February 2006 and established the Joint Initiative on Priority Skills Acquisition (Jipsa) to address the scarce and critical skills, for example.

FUNDRAISING AND PARTNERSHIPS

The review recommended that TIPS have a clear strategy: “securing substantial core grant support (from IDRC and *the dti*, for example) and developing multi-year programme support (from both official donors and private foundations for example)”. While TIPS has secured core funding from *the dti* until October 2010, there have already been indications of support within *the dti* for requests for further core funding. The Executive Director met with *the dti's* Chief Operations Officer in late 2009 and it was agreed that TIPS formulate a proposal that would be informed by *the dti* planning processes for the departments involved in trade and industrial policy. Both heads of these departments have agreed to include TIPS in their planning processes from early 2010.

With programme funding, the mapping exercise for the theme areas will also identify which donors are active across the six areas. This will assist in developing project proposals to be put forward to potentially interested donors.

TIPS relies on strong partnerships to meet its mandate. These partnerships are viewed as crucial for the organisation to strengthen its funding and implementation pipeline. With the public sector, a strong relationship has been forged with certain South African government departments, including the Presidency and *the dti*, and to a lesser extent with other public sector organisations such as the SADC Secretariat and SADC member state governments, as well as local and provincial (as reflected by public good work for the city of Tshwane and dedicated work for the province of Mpumalanga in South Africa) government and parastatals such as the Industrial Development Corporation.

TIPS has regular, and in some cases strong, relations with other organisations including universities (in South Africa, within the region e.g. Universities of Mauritius, Tanzania and Zambia and beyond e.g. University of Rome and University of Sussex), NGOs (e.g. the Trade Law Centre, Institute for Global Dialogue, among others), donors (e.g. DFID, AusAID, GTZ, USAID, World Bank, IMF, UNECA, Development Bank of Southern Africa, African Development Bank), some United Nations Agencies (e.g. UNCTAD), research think tanks (in South Africa as in the region) and particular units of the OECD through regulation work, and private sector (e.g. industrial associations, consultancies) and labour (e.g. trade unions such as COSATU).

Though some partners figure less prominently than others because of the focus on public good and policymakers, TIPS has strong links with all research think tanks involved with trade and industry research in the region. In taking forward the proposed strategic plan, TIPS aims to strengthen specific partnerships across its six proposed theme areas of focus. The aim is to identify two or three strategic partnerships within each and formalise such associations through Memorandums of Understanding. TIPS already has such an agreement with *the dti*, for example, which will also be presenting two proposals for funding that the two organisations have formulated jointly.

While the strategic mapping exercise planned for each theme area will identify these partnerships, an initial indication is as follows:

Trade: The SADC Secretariat; *the dti*; the Trade Law Centre of Southern Africa (TRALAC).

African economic integration: The Competition Commission, the University of Pretoria; University of Eduardo Mondlane, think tanks and networks beyond the southern African region.

Industrial policy: *The dti*; the Universities of KwaZulu-Natal, Rome; Zambia and Mauritius; the Industrial Development Corporation.

Inequality and economic marginalisation: Department of Water Affairs; UNEP; University of Kwazulu-Natal; South African National Bio-diversity Institute (SANBI)

Sustainable growth: WWF; UNEP; SANBI; University of Cape Town; the Departments of Energy, Water Affairs, as well as *the dti*.

Rural development: Department of Agriculture; University of Pretoria.

Informal partnerships at least, already exist with these organisations. During 2009, TIPS was also invited to participate in specific events aimed at raising programme funding in a partnership approach. An example was an initial meeting of potential partners being asked to mobilise in the creation of the African Growth and Development Policy (AGRODEP) Modeling Consortium.

This took place in Pretoria on 18 March 2009. This initiative is being driven by the International Food Policy Research Institute in conjunction with other partners such as Food, Agriculture and Natural Resources Policy Analysis Network. Once operational, the AGRODEP Modeling Consortium is envisioned to mobilise the growing number of geographically dispersed Africa-based researchers to create the necessary critical mass to enable them to work collaboratively to meet the increasing demand for high quality, locally based research which is emanating from the ongoing implementation of the Comprehensive Africa Agriculture Development Programme. Discussions around this are on-going.

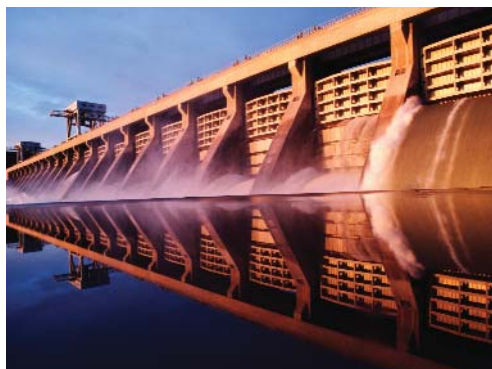
In addition, in partnership with BIDPA, TIPS was requested to present to a regional meeting of the SADC statisticians in Swaziland in December 2009 on the SADC Trade Database. This is part of a larger process to assist the SADC Secretariat with its provision of economic data on the region. The process had been kicked off earlier in 2009 with a meeting in Gaborone with the SADC Secretariat, EU Commission and BIDPA to discuss the possibility of a SADC data portal. Subsequently a concept note for this initiative was prepared and sent to the SADC Secretariat.

TIPS relies on strong partnerships to meet its mandate

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 funding sources and, more importantly, to allow the organisation to expand its public-good activities in areas of relevance to policymakers in the region.

TIPS is immensely grateful for its donors' generous support, which in 2009 included the South African government. In particular, TIPS wishes to acknowledge the generous core funding contributions received from the IDRC and *the dti*. 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 2009 were:

- **The IDRC and *the dti***, which support TIPS's function as a research network support and capacity-building institution. *The dti*, in addition, supports the IPAP Upscaling Project
- **The IDRC**, which supports the Southern African Development Research Network Programme;
- **The Department of Public Works**, which provides project funding for the Community Work programme; and
- **AusAID**, which supports the SADC Trade Development Programme at TIPS.



TJAKASTAD

COMMUNITY WORK PROGRAMME

The Tjakastad Community Work Programme in Mpumalanga peaked at 1409 participants in December 2009, evidence of the popularity of the programme in the area, which resulted in new participants joining each month.

The Tjakastad team has developed an excellent relationship with the Albert Luthuli municipality which has been an immense support. The Department of Agriculture has also been a key partner and given seeds for vegetable gardens.

The Department of Labour has been approached to discuss training needs of the staff and participants about work they would like to be involved with. The Department of Public Works Roads and Transport has given the programme four pipes for bridge construction and has pledged more support in future. The local SA Police Service has become involved and the team is working with the Community Policing Forum and street committees. The SAPS has made available a van and five police officers for patrol purposes. Team members took up the responsibility of community patrols;

On the social responsibility front, the Tjakastad home-based care team has assisted with people diagnosed with HIV/AIDS, TB and other chronic illnesses. A successful door-to-door HIV/AIDS awareness drive was also conducted. After rehabilitating a number of mini-parks, the teams moved on to the bigger community parks. A total of 200 participants have been involved with community cleaning work such as cutting grass, trimming trees and collecting litter) a regular basis as well as also helping out at local police stations and the Mandlamakhulu tribal office; Infrastructure work included building v-drains for toilets at the community hall, the renovation of three schools and bridge construction work. Mealies planted over 1.5 hectares of land at the Avontuur garden were harvested for sale.

For more about the CWP, see page 25.

WEBSITE AND DATA

TIPS website

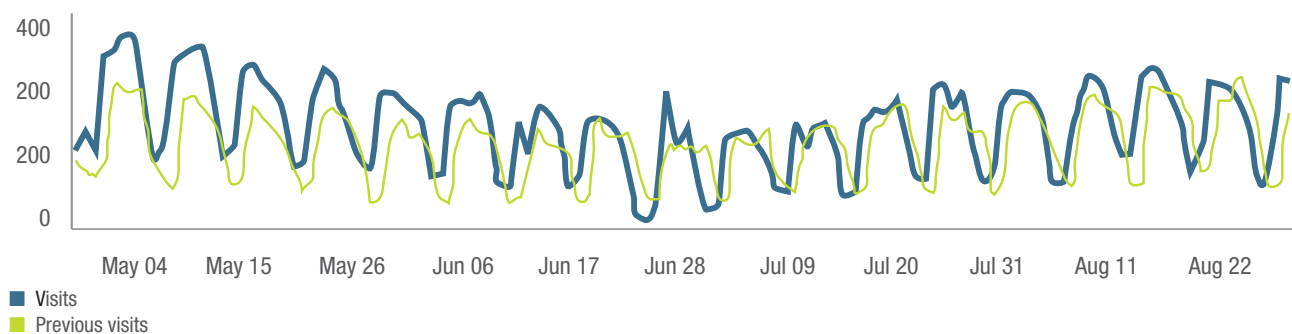
The TIPS website is central for disseminating research. The website has more than 700 downloadable papers that focus on trade and industry issues. The papers also include, among others, discussions on regulatory matters and research undertaken on the second economy of South Africa.

The Annual Forum papers are still popular with users due to a large selection of policy-related papers available for download, some of which date back to 1997. A large number of recently published working papers and research reports made possible by TIPS's internship and small grants programmes are also available on the website. This too has increased use of the site. The industrial policy bibliography online facility also contributed to the increase in website traffic. With 190 industrial policy-related papers from all over the world, the facility has received nearly 400 requests for papers since its launch in May 2007. The website regularly provides information on forthcoming training workshops and conferences facilitated by TIPS or its partner organisations.

After the TIPS website was revamped in 2007 and expanded to include the SADC Trade website, the number of visits to both websites increased at a substantial rate. With the website's functionalities considerably improved, users found it much easier to navigate through the website. To evaluate the website's effectiveness and user-friendliness, user statistics for two three-month periods – May to September 2008 and May to September 2009 – were compared (see Figure 1 and Table 1). The growth in the number of visits continues to be strong and the TIPS website surpassed the 25 000 mark between May and September of 2009, an increase of 20.7% compared to the same period the year before.

Search engines remain the dominant application used to access the TIPS website. Only 8.7% of the recorded visits were executed directly compared to the majority of visits which were executed using search engines (increased to 86.8% in 2009) (see Figure 2). Ideally TIPS strives to improve direct usage of the website by increasing the number of research material suitable for researchers and academics.

Figure 1: Website traffic May 2008 to September 2008 compared to May 2009 to September 2009



Note: The thick blue line is for 2009 visits and the thin green line is for 2008 visits.

Table 1: Website statistics May 2008 to September 2008 compared to May 2009 to September 2009

SITE USAGE (MAY TO SEPTEMBER)		
	2008	2009
Visits	21 453	25 886
Bounce rate	61.73%	66.93%
Page views	58 347	59 045
Average time on site (minutes)	02:19	02:09
Pages/Visit	2.72	2.28
% new visits	73.01%	79.54%

Note: The bounce rate refers to the percentage of single-page visits or visits in which the person left your site from the entrance (landing) page.

Source: Google Analytics, 2010. (www.google.co.za/analytics)

MTHWALUME

COMMUNITY WORK PROGRAMME

Participation in the Mthwalume programme in KwaZulu-Natal peaked at 1 500 in October 2009. Attendance in November and December was disrupted by a shortage of tools and payment issues as many participants did not have bank accounts. The programme, however, remains popular, and a life skills session has been planned early in 2010 to tackle issues. This will provide guidance on work planning processes and the reporting thereof and is to be based on the outcomes of the evaluations undertaken in 2009.

Achievements at the CWP include donated clothing, which has been distributed as part of the home-based care activities. Twenty families receive weekly assistance from caregivers who clean and cook for them as they are unable to help themselves. The caregivers also ensure that those who need medication take it and they fetch water for each household. The team has been involved in cutting grass, fixing fences and carrying out other odd jobs at various schools, churches, crèches and hospitals as well as at a Youth Centre and a hospital.

Team members took care of communal gardens and food distribution; Four local schools were repainted, nine community access roads are regularly maintained and six mud and cement homes have been built for vulnerable families.

For more about the CWP, see page 25.

Traffic sources

TIP's website was visited by users from 188 countries/territories. Table 2 lists the top-10 countries creating the most site traffic of the TIPS website. South Africa continues to be the main contributor to the sites usage accounting for 65% of the total number of visits. Other notable sources of visits include the United States, United Kingdom and India. The only African countries that have made a considerable contribution to the site traffic are Nigeria and Tanzania.

What is striking is the high proportion of new visits from all countries in the top-10 list, indicating the organisation's expanding web presence.

Figure 2: Traffic sources

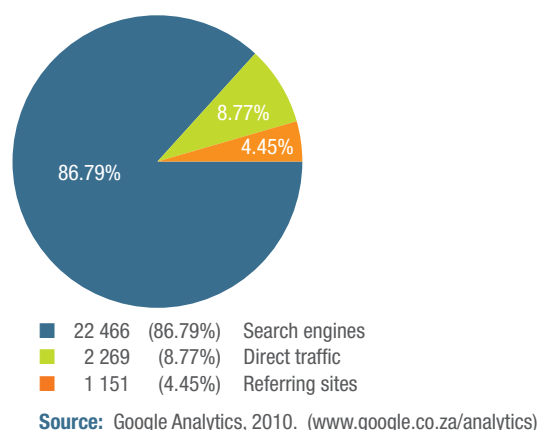


Table 2: Top-10 visitor sources

TOP-10		
Top-10 countries with most visits to the TIPS website	Number of visits (percentage increase from previous period)	New visits as a percentage of number of visits
South Africa	1 783 (+20.29%)	76.18%
United States	1 350 (+19.89%)	88.44%
United Kingdom	854 (+23.59%)	87.00%
India	518 (+12.85%)	90.15%
Nigeria	346 (+22.70%)	82.95%
Australia	300 (+38.89%)	91.33%
Germany	284 (-11.80%)	81.34%
Norway	277 (+218.39%)	83.03%
Tanzania	271 (+182.29%)	84.50%
Canada	266 (+8.57%)	85.34%

Source: Google Analytics, 2010. (www.google.co.za/analytics)



SADC Trade website

TIPS's website for its Southern African Trade Development programme (www.sadctrade.org) is one of the most popular web offerings. This website is the primary source of SADC trade data, SADC research materials and other related research tools and publications.

During the period between February 2009 and February 2010, there were 1 645 visits to the SADC Trade website. Of interest is the fact that 52% of those visits were from new users, highlighting the continued relevance of the SADC Trade website. Curiously, 99% of the users accessed the website directly or through TIPS, less than 1% of the visits to the website emanated from search engine links.

On average, visitors to the site spent 11 minutes and 40 seconds browsing the website, a 7% decrease on 2008-2009 visitor time. However, there has been increased diversity in the origin of the visits. As depicted in Table 3, South Africa remains the largest originator of visits to the SADC Trade site at 49% of visits. The US and Germany complete the top three sources with a combined 9% of site visits. Also, other SADC countries are listed in the top 10. Botswana, Mauritius and Malawi contributed 2% each to visits to the website. Saint Lucia was a notable surprise addition to the list, with the UK, Switzerland and Ethiopia also contributing 2% each to the total number of visitors.

Although the SADC Trade Database is TIPS's premium product offering on the SADC Trade website, TIPS no longer updates this trade data.

Table 3: SADC Trade website traffic sources

TRAFFIC SOURCES		
Country	Visits	Percentage
South Africa	799	49%
United States	90	5%
Germany	61	4%
Botswana	55	3%
Ethiopia	53	3%
Saint Lucia	39	2%
Mauritius	39	2%
United Kingdom	37	2%
Switzerland	34	2%
Malawi	29	2%

Source: Google Analytics 2010 (www.google.co.za/analytics)

New additions were, however, added to enhance the website's functionality. TIPS continues to highlight the freely available ITC trade tools online, and among other additions, the following are noteworthy:

- The addition of SADC member country tariff data which is available freely for download (for research purposes):
- The inclusion of local, regional and international data providers and their corresponding links (for data acquisition): and
- The addition of TIPS data analysis templates (for data analysis capacity building purposes).

These features, among others, are aimed at increasing the availability of tools for researchers to enhance and upgrade their research capacity and to promote the proliferation of data-focused research and policy-making.

TIPS website revamp

During 2009, TIPS began reviewing its website and other dissemination tools. In 2010 the website and resources, including research material, will be reorganised according to the six programme pillars defined in the TIPS medium-term strategy.

⁴ Although highly unusual, the number of users visiting directly or from TIPS highlights how ingrained knowledge of the website has become. Alternatively, users could be searching for "TIPS" in their web searches, which ultimately leads them to the SADC Trade website.

⁵ http://www.sadctrade.org/tariff_data

⁶ <http://www.sadctrade.org/datalinks>

⁷ http://www.sadctrade.org/data_analysis_tool

FINANCIAL STATEMENTS

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 receives grants from international aid organisations and applies these funds against specific projects, administration of these projects and support infrastructure.
Directors	A Hirsch JHDC Maia X Gonzalez-Nuñez S Robinson N Zalk
Registered office	826 Government Avenue Arcadia Pretoria 0083
Business address	826 Government Avenue Arcadia Pretoria 0083
Postal address	PO Box 11214 Hatfield Pretoria 0028
Auditors	Grant Thornton Chartered Accountants (S.A.) Registered Auditors South African Member of Grant Thornton International
Company registration number	2001/012247/08



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The following supplementary information does not form part of the annual financial statements and is unaudited:	
Detailed Income Statement	44

INDEPENDENT AUDITORS' REPORT

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

We have audited the annual financial statements of Trade and Industrial Policy Strategies (Association incorporated in terms of Section 21), which comprise the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 34 to 43.

Directors' Responsibility for the Annual Financial Statements

The company's directors are responsible for the preparation and fair presentation of these annual financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and in the manner required by the Companies Act of South Africa as amended. 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.

Auditor's 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 management, as well as evaluating the overall presentation of the annual financial statements.

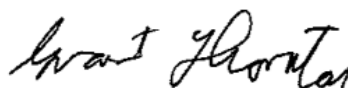
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Trade and Industrial Policy Strategies (Association incorporated in terms of Section 21) as at 31 December 2009, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and in the manner required by the Companies Act of South Africa as amended.

Other Matter

We draw 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
Chartered Accountants (SA)
Registered Auditors

Per: N C Kyriacou
Chartered Accountant (SA)
Registered Auditor

10 June 2010

DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are required by the Companies Act of South Africa as amended, 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 the International Financial Reporting Standard for Small and Medium-sized Entities. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities 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 2010 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 32.

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 10 June 2010 and were signed on its behalf by:



Director



Director

Pretoria
10 June 2010

DIRECTORS' REPORT

The directors submit their report for the year ended 31 December 2009.

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 principally 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 surplus of the company was R679 410 (2008: deficit R1 339 973).

2. Events after the reporting period

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

3. Directors

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

Name	Appointment date
A Hirsch	
JHDC Maia	
X Gonzalez-Nuñez	01 October 2009
S Robinson	01 October 2009
N Zalk	18 May 2009

4. Secretary

The secretary of the company is Mr I Juskiwicz.

5. Auditors

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

STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2009

	Notes	2009 R	2008 R
Assets			
Non-current assets			
Property, plant and equipment	2	104 983	189 537
Current assets			
Trade and other receivables	3	327 090	493 856
Cash and cash equivalents	4	34 664 168	5 849 027
		34 991 258	6 342 883
Total assets		35 096 241	6 532 420
Equity and liabilities			
Equity			
Fixed asset fund		104 984	189 537
Accumulated funds		1 850 323	1 086 360
		1 955 307	1 275 897
Liabilities			
Current liabilities			
Operating lease liability		165 502	120 612
Trade and other payables	6	5 218 975	2 156 956
Deferred revenue	5	27 756 457	2 978 955
		33 140 934	5 256 523
Total equity and liabilities		35 096 241	6 532 420

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Notes	2009 R	2008 R
Grant Income	7	33 854 311	24 399 580
Contracts		284 212	824 527
Sundry income		738 342	1 560 350
Project expenditure		(32 516 606)	(24 850 337)
Administration expenditure		(2 679 665)	(3 504 231)
Operating deficit	8	(319 405)	(1 570 111)
Investment revenue		998 815	230 138
Surplus (deficit) for the year		679 410	(1 339 973)
Other comprehensive income		-	-
Total comprehensive surplus (deficit) for the year		679 410	(1 339 973)

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Fixed asset fund R	Accumulated funds R	Total equity R
Balance at 01 January 2008	247 228	2 368 642	2 615 870
Changes in equity			
Total comprehensive deficit for the year	-	(1 339 973)	(1 339 973)
Transfer from fixed asset fund	(57 691)	57 691	-
Total changes	(57 691)	(1 282 282)	(1 339 973)
Balance at 1 January 2009	189 537	1 086 360	1 275 897
Changes in equity			
Total comprehensive surplus for the year	-	679 410	679 410
Transfer from fixed asset fund	(84 553)	84 553	-
Total changes	(84 553)	763 963	679 410
Balance at 31 December 2009	104 984	1 850 323	1 955 307

STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	Notes	2009 R	2008 R
Cash flows from operating activities			
Cash receipts from customers		34 904 597	26 922 098
Cash paid to suppliers and employees		(7 071 212)	(32 508 781)
<hr/>			
Cash generated from (used in) operations	10	27 833 385	(5 586 683)
Interest income		998 815	230 138
<hr/>			
Net cash from operating activities		28 832 200	(5 356 545)
<hr/>			
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(18 184)	(57 163)
Sale of property, plant and equipment	2	1 125	–
<hr/>			
Net cash from investing activities		(17 059)	(57 163)
<hr/>			
Total cash movement for the year		28 815 141	(5 413 708)
Cash at the beginning of the year		5 849 027	11 262 735
<hr/>			
Total cash at end of the year	4	34 664 168	5 849 027
<hr/>			

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2009

Accounting Policies

1. Presentation of annual financial statements

The annual financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and the Companies Act of South Africa as amended. The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period, except for the changes set out in note 13 First-time adoption of the International Financial Reporting Standard for Small and Medium-sized Entities.

1.1 Property, plant and equipment

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. Depreciation is provided using the straight-line method to write down the cost, less estimated residual value over the useful life of the property, plant and equipment, which is as follows:

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

The residual value, depreciation method and the useful life of each asset are reviewed at each annual reporting period if there are indicators present that there is a change from the previous estimate.

1.2 Financial instruments

Financial instruments at amortised cost

Financial instruments may be designated to be measured at amortised cost less any impairment using the effective interest method. These include trade and other receivables and trade and other payables. At the end of each reporting period date, the carrying amounts of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If so, an impairment loss is recognised.

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 straightline 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. This liability is not discounted.

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.

1.5 Revenue

Revenue comprises mainly of grants, contract fees and course fees. Grants are recognised at fair value, excluding 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2009

1.6 Deferred revenue

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

1.7 Fixed asset fund

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

2. Property, plant and equipment

	2009			2008		
	Cost R	Accumulated depreciation R	Carrying value R	Cost R	Accumulated depreciation R	Carrying value R
Computer software	159 387	(153 753)	5 634	155 922	(137 638)	18 284
Furniture and fixtures	155 022	(91 905)	63 117	155 022	(66 850)	88 172
IT equipment	367 542	(331 310)	36 232	366 323	(283 242)	83 081
Total	681 951	(576 968)	104 983	677 267	(487 730)	189 537
Reconciliation of property, plant and equipment 2009						
		Opening balance R	Additions R	Disposals R	Depreciation R	Total R
Computer software		18 284	3 466	–	(16 116)	5 634
Furniture and fixtures		88 172	–	–	(25 055)	63 117
IT equipment		83 081	14 718	(1 125)	(60 442)	36 232
		189 537	18 184	(1 125)	(101 613)	104 983
Reconciliation of property, plant and equipment 2008						
			Opening balance R	Additions R	Depreciation R	Total R
Computer software			17 571	19 532	(18 819)	18 284
Furniture and fixtures			83 827	28 261	(23 916)	88 172
IT equipment			145 831	9 370	(72 120)	83 081
			247 229	57 163	(114 855)	189 537

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. Trade and other receivables

	2009 R	2008 R
Other receivables	43 522	1 178
Prepayments	13 822	53 026
Trade receivables	269 746	297 477
VAT	–	142 175
	327 090	493 856

4. Cash and cash equivalents

Cash and cash equivalents consist of:

	2009 R	2008 R
Bank balances	34 662 013	5 847 862
Cash on hand	2 155	1 165
	34 664 168	5 849 027

There is a restricted pledge of R239 517 on a call deposit.

5. Deferred revenue

The deferred revenue is for the following projects:

	2009 R	2008 R
The AusAID	58 802	337 872
The British High Commission	145 649	145 649
The IDRC Core Programme	8 509	8 458
The IDRC SADRN	1 511 527	1 031 192
The DFID Second Economy	30 920	1 422 257
The DFID Right to Work	–	33 526
The DFID EPP CWP	838 760	–
The DTI Core Funding	1 523 700	–
The IDT CWP	20 456 966	–
UCT EPP CWP	214 214	–
The DTI IPAP	2 967 409	–
	27 756 457	2 978 955

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2009

6. Trade and other payables

	2009 R	2008 R
Trade payables	1 212 501	2 156 956
VAT	4 006 474	–
	5 218 975	2 156 956

7. Grant Income

	2009 R	2008 R
Grants Received	58 631 814	18 542 265
Deferred revenue		
The AusAID: prior year	337 872	1 001 775
The AusAID: current year	(58 802)	(337 872)
The British High Commission: prior year	145 649	–
The British High Commission: current year	(145 649)	–
The IDRC Core Programme: prior year	8 458	13 342
The IDRC Core Programme: current year	(8 509)	(8 458)
The IDRC SADRN: prior year	1 031 192	2 097 907
The IDRC SADRN: current year	(1 511 527)	(1 031 192)
The DFID Second Economy: prior year	1 422 258	4 671 909
The DFID Second Economy: current year	(30 920)	(1 422 258)
The DFID Right to Work: prior year	33 526	905 688
The DFID Right to Work: current year	–	(33 526)
The DFID EPP CWP: current year	(838 760)	–
The DTI Core Funding: current year	(1 523 700)	–
The DTI IPAP: current year	(2 967 409)	–
The IDT CWP: current year	(20 456 966)	–
UCT EPP CWP: current year	(214 214)	–
	33 854 313	24 399 580

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2009

8. Operating surplus

Operating surplus for the year is stated after accounting for the following:

	2009 R	2008 R
Operating lease charges		
Premises – Contractual amounts	649 890	656 001
Equipment – Contractual amounts	63 988	75 944
	713 878	731 945
Depreciation on property, plant and equipment	101 613	114 855
Employee costs	3 122 881	4 469 253

9. Auditors' remuneration

	2009 R	2008 R
Fees	72 000	72 000
Other services	3 000	–
	75 000	72 000

10. Cash generated from (used in) operations

	2009 R	2008 R
Surplus (deficit) before taxation	679 410	(1 339 973)
Adjustments for:		
Depreciation and amortisation	101 613	114 855
Interest received	(998 815)	(230 138)
Movements in operating lease assets and accruals	44 890	94 090
Changes in working capital:		
Trade and other receivables	166 766	139 006
Trade and other payables	3 062 019	1 506 378
Deferred revenue	24 777 502	(5 870 901)
	27 833 385	(5 586 683)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

11. Commitments

	2009 R	2008 R
Operating leases – as lessee (expense)		
Minimum lease payments due		
– within one year	670 455	570 877
– in second to fifth year inclusive	1 263 241	1 601 556
	1 933 696	2 172 433
Operating lease payments represent rentals payable by the company for certain of its office property as well as certain of its office equipment.		

12. Contingencies

	2009 R	2008 R
Guarantee issued by the company's bankers to the company's landlord	40 000	40 000

13. First-time adoption of the International Financial Reporting Standard for Small and Medium-sized Entities

The company has applied the International Financial Reporting Standard for Small and Medium-sized Entities, for the first time for the 2009 year end. On principle this standard has been applied retrospectively. The date of transition was 01 January 2008 and the effect of the transition was as follows.

The change from the Statement of Generally Accepted Accounting Practice for Small and Medium-sized Entities to the International Financial Reporting Standards for Small and Medium-sized Entities did not have an effect on the financial position of the company, the results of its operations and its cashflows for the year ended 31 December 2009 and no restatement was required as the changes were not relevant to the company.

14. Related parties

Relationships

Director X Gonzalez-Nuñez

15. Directors' emoluments

	2009 R	2008 R
Executive		
Emoluments		
For services as director	320 957	762 430








DETAILED INCOME STATEMENT

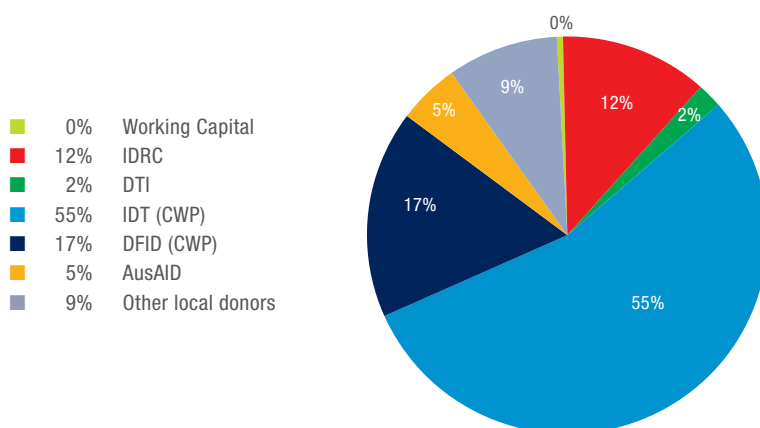
For the year ended 31 December 2009

	2009 R	2008 R
Funding	35 875 680	27 014 595
Contracts	284 212	824 527
Cost recoveries	625 588	564 747
Course fees	112 754	225 040
Grants	33 854 311	24 399 580
Interest received	998 815	230 138
Management fees	–	470 563
Sundry income	–	300 000
Expenditure	35 196 270	28 354 568
Projects	32 516 605	24 850 336
Audit fees	6 000	–
Bank charges	6 898	6 889
Consulting fees	3 380 383	4 811 777
Data subscription and hosting	45 259	16 488
Employment costs	2 083 493	3 076 272
Equipment	10 482	8 071
Grants		
– Community Work Programme/SADRN	26 530 653	14 013 479
– Small Research	73 171	170 248
Insurance	2 788	–
Office rental and security	30 518	–
Office supplies and expenses	7 636	16 455
Printing and publication	88 235	818 920
Seminars, meetings and conferences	46 589	1 085 284
Telephone	2 268	197
Travel	202 232	826 256
Administration	2 679 665	3 504 231
Audit fees	66 000	72 000
Bank charges	11 230	14 806
Computer maintenance	15 347	12 328
Consulting fees	222 535	485 350
Data communications	149 985	165 441
Depreciation	101 613	114 855
Employment costs	1 088 907	1 452 366
Equipment	59 568	81 670
Insurance	29 548	31 168
Office rental, security and maintenance	701 633	732 485
Office supplies and expenses	30 585	45 249
Periodicals and subscriptions	4 063	4 868
Printing and publications	63 204	97 673
Property maintenance	19 097	15 820
Seminar, meetings and conferences	–	1 044
Telephone	79 369	107 536
Training	700	6 589
Travel	36 281	62 983
Surplus/(deficit) for the year	679 410	(1 339 973)

INCOME PER DONOR

For the year ended 31 December 2009

	Working Capital	IDRC	DTI	IDT (CWP)	DFID (CWP)	AusAid	Other Local	Totals
		International Development Research Centre 	Department of Trade and Industry 	Independent Development Trust 	Department for International Development 	Australian Agency for International Development 		
	R	R	R	R	R	R	R	R
Income	87 142	4 169 131	869 777	19 664 643	6 252 534	1 673 974	3 158 479	35 875 680
Grants		4 649 517	5 263 158	40 121 609	4 978 967	1 346 414	2 272 150	58 631 815
Cost recoveries							625 588	625 588
Course fees							112 754	112 754
Management fees							284 212	284 212
Interest received	87 142		97 728		687 463	48 490	77 989	998 812
Add: Prior year deferred income		1 039 650			1 455 784	337 872	145 649	2 978 955
Less: Current year deferred income		(1 520 036)	(4 491 109)	(20 456 966)	(869 680)	(58 802)	(359 863)	(27 756 456)





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