



# ANNUAL REPORT 2004






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TIPS



Trade and Industrial Policy Strategies (TIPS) 2005

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- TIPS implements the UK Department for International Development's (DFID's) South Africa Trade and Poverty Programme (SATPP), which aims to build capacity in South African institutions to formulate and implement inclusive, pro-poor trade reform strategies.
- The organisation commissioned, co-ordinated and published the Department of Trade and Industry's (the dti's) *Annual Review of Small Business in South Africa – 2003* in 2004.
- TIPS project-managed and produced the Western Cape Provincial Treasury's *Provincial Economic Review & Outlook (PER&O) 2005* in 2004, and provided editorial assistance on its *Medium-Term Budget Policy Statement 2005-2008*. Both these documents were presented to Parliament by the Provincial Minister of Finance, Economic Development and Tourism, Lynne Brown – the MTBPS in November 2004 and the PER&O 2005 together with the Provincial Budget 2005 in March 2005.
- TIPS produced part of the trade and tariff analysis for the Southern African Development Community (SADC) Secretariat's Trade Protocol Mid-term Review.
- The organisation provided planning and research support for the dti's Agro-processing Customised Sector Programme (CSP). CSPs are the dti's main sector strategy interventions intended to facilitate sustainable growth and upgrading of sectors.
- In collaboration with key sector agencies, TIPS is implementing a wide range of sectoral initiatives, such as sector forecasts and economic reviews.



Trade and Industrial Policy Strategies (TIPS) is a Section 21 Company which is active in the economic policy arena and co-ordinates a network of researchers throughout South Africa and parts of Southern Africa.

It particularly focuses on producing, stimulating and aggregating policy-relevant, applied economic research around trade, industrial and small business issues, as well as economic regulation and local economic development.

The organisation was established in 1996 and initially operated as a project within the International Development Research Centre's (IDRC's) Johannesburg Office. It became an independent, not-for-profit company in 2001.

In the previous financial year we substantially broadened TIPS' research mandate by adding three new programmes to our primary research theme of trade analysis. Whilst TIPS had in the past undertaken some activities in the fields of small business and local economic development, economic regulation and sector analysis, these themes became focal points of our activities in 2004. In most cases, we undertook research, facilitated workshops and conferences with policy-makers, and supported policy and strategy development processes within key Economic Ministries in the South African government.

Whilst TIPS remains careful to assert its independence as one of South Africa's leading think-tanks, we believe that being drawn closer to the coal-face of trade and industrial policy development is a positive and natural progression in our organisation's development.

There are a number of reasons for this. First, implementation of policy rather than the development of new strategies would appear to be government's core priority at the moment. Moreover, strategies which do not take proper account of the capacity limitations in government or the political economy context within which policy processes take place in South Africa are unlikely to have successful outcomes.

Working more closely with key government departments such as the dti has led to a number of important interactions, which have further helped to refine our policy and research priorities going forward. These include highlights such as the invitation to provide the newly appointed Minister of Trade and Industry with a briefing on the 'State of the South African Real Sector', our presentation of the *Annual Review of Small Business in South Africa – 2003* to the Parliamentary Portfolio Committee on Trade and Industry, and a variety of interactions with senior policy-makers in the dti's trade policy division in support of Free Trade Area (FTA) and World Trade Organisation (WTO) negotiations.

In addition, TIPS and the Development Policy Research Unit (DPRU), in association with Cornell University, once again joined forces in 2004 to host the Annual Forum: African Development and Poverty Reduction.

The Forum was held in Cape Town for the first time and drew keynote speakers from around the globe, including Prof. Ravi Kanbur from Cornell, Prof. Alice Amsden (MIT) and Dr. John Page from the World Bank.

With more than 200 participants and three days of policy-oriented research being presented, our eighth Annual Forum was once again the site of vigorous debate and intense discussion with researchers and policy-makers from a range of institutions. The 2004 Forum was specifically focused on African development issues and represented another turning point in TIPS' growth path.



Although TIPS has always considered South African economic policy in the Southern African context, in recent times the demand for TIPS assistance from the region has grown considerably.

We remain involved in the Southern Africa Trade Research Network (SATRN), which aims to mobilise the capacity for research and policy analysis across Southern Africa, but we increasingly find our blend of research and capacity building being demanded by other stakeholders in SADC. As a result, we are involved in a number of regional research projects, including working with the SADC Secretariat in undertaking a mid-term Review of the SADC Trade Protocol. Moreover, many of our training courses now have an average 30% to 40% SADC participation rate.

TIPS continues to actively seek the support of donors operating in South Africa and the region to allow us to expand our activities in areas of relevance to policy-makers.

We are therefore pleased to announce that the Australian aid agency, AusAID, has agreed to contract TIPS as one of its local partners to implement an exciting three-year project focused on developing the research infrastructure to accelerate SADC trade analysis. The project will include support for building the first home-grown SADC trade database, as well as an annual reference publication on SADC trade patterns.

In the course of the year under review TIPS moved its offices from Johannesburg to Pretoria. We took this decision only after much introspection, but we believe that as we work more and more closely with government departments, the decision was appropriate from both an operational and strategic perspective.

Our office relocation places us in a central locality with easy access to both policy-makers and the donor community; to stimulate policy debate further we are considering hosting a monthly seminar series at our offices in 2005. Furthermore,

we now have a training facility allowing us to offer capacity-building facilities, including a small computer lab.

TIPS wishes to extend its sincerest gratitude to its donors – the Canadian IDRC, the German Agency for Technical Co-operation (GTZ), the Australian Agency for International Development (AusAID) and DFID, UK. Without their generous contributions, the work of TIPS would be significantly curtailed.

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



**Stephen Hanival**  
*Executive Director*

18 August 2005

### Mandate

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

### Vision

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

### Mission

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

### Objectives

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

### Areas of Activity

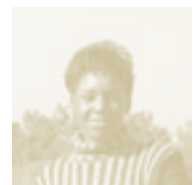
TIPS undertakes research for a broad range of government departments, non-profit organisations and regional bodies, including:

- the dti
- The Western Cape Provincial Treasury
- The Department of Public Enterprises
- The National Department of Agriculture
- The National Department of Transport
- The SADC Secretariat

### Partner Organisations

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

- World Bank
- United Nations University World Institute for Development Economics Research (UNU-WIDER)
- Cornell University
- International Institute for Sustainable Development (IISD)
- International Centre for Trade and Sustainable Development (ICTSD)
- Institute of Development Studies (IDS), University of Sussex
- International Trade Centre (ITC)
- EU-LDC Network
- Trade Law Centre for Southern Africa (Tralac)
- South African Institute of International Affairs (SAIIA)
- Development Policy Research Unit (DPRU)
- ComMark Trust
- Witwatersrand, Cape Town, KwaZulu-Natal and Stellenbosch Universities



## Organisational Structure

### *TIPS Board*

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

- |                       |                                     |
|-----------------------|-------------------------------------|
| ▪ Alan Hirsch (Chair) | The Presidency                      |
| ▪ Claudia Manning     | BSG Investment Holdings             |
| ▪ Lael Bethlehem      | Johannesburg Development Agency     |
| ▪ Lesetja Kganyago    | National Treasury                   |
| ▪ Leslie Maasdorp     | Goldman Sachs International         |
| ▪ Merle Holden        | University of KwaZulu-Natal         |
| ▪ Rashad Cassim       | University of the Witwatersrand     |
| ▪ Stephen Hanival     | TIPS                                |
| ▪ Stephen Yeo         | Centre for Economic Policy Research |
| ▪ Tshediso Matona     | the dti                             |

### *TIPS Advisory Board*

TIPS' research activities are supported by an Advisory Board comprising internationally regarded researchers and policy practitioners:

- |                    |  |
|--------------------|--|
| ▪ Rohinton Medhora | IDRC, Canada   |
| ▪ Bernard Hoekman  | World Bank   |
| ▪ Albert Berry     | University of Toronto, Canada                        |
| ▪ Marc Ivaldi      | Université des Sciences Sociales de Toulouse, France |

### *TIPS Staff*

TIPS is a relatively small institution with about nine full-time staff members. The organisation's research focus is served by three full-time economists, a number of research associates, individuals from our research network, consultants and interns. The support staff complement manages TIPS' public-good activities such as training courses and workshops, as well as our continued focus on regular, policy-oriented publications and the provision of a substantial website with various databases and research paper archives that are available online.

- |                           |                        |
|---------------------------|------------------------|
| ▪ Stephen Hanival         | Executive Director     |
| ▪ Dirk Ernst van Seventer | Senior Economist       |
| ▪ Donald Onyango          | Economist              |
| ▪ Owen Willcox            | Economist (consultant) |
| ▪ Mmatlou Kalaba          | Economist              |
| ▪ Ian Juskiewicz          | Financial Manager      |
| ▪ Matthew de Gale         | Information Manager    |
| ▪ Lucille Gavera          | Publications Manager   |
| ▪ Amanda Ryland           | Office Manager         |
| ▪ Vanidha Pulliah         | Accountant             |
| ▪ Marcalthea Probert      | Personal Assistant     |
| ▪ Joanne Miller           | Receptionist           |



### Research Services

Our projects are a healthy mix of applied and 'over the horizon' proactive strategic research, implemented in close partnership with key stakeholders to ensure buy-in and capacity building, and include the following services:

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

### Research Programmes

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

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

We believe these areas are of direct relevance to other developing countries in the region and we would want our increased activity in the region to flow from a substantial and stable research base in South Africa.

#### Trade Analysis

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

TIPS' *State of Trade Policy* publication, seen as a flagship document, was launched in 2002 with a synthesis of research on the impact of trade reform on the South African economy and employment in the 1990s. Building on the 2002 report, which contained much relevant qualitative and quantitative material on the evolution of South African trade policy, TIPS will produce an updated reference book in 2005/2006.

In the medium term, TIPS' Trade Analysis research programme includes the following components:



#### Trade and tariff analysis

This component of support is focused on continuing to assist the dti and civil society to assess the impact of new and existing trade preference agreements, including FTAs, the African Growth and Opportunity Act (AGOA), bilateral trade agreements and unilateral trade liberalisation/tariff simplification.

A key component of TIPS' research in this field is the application of the latest methodologies to South African data for household (micro level) as well as sectoral (meso level) economic impact assessments. TIPS further carries out general equilibrium analyses, based on the most up-to-date set of global trade barriers data (tariff, services, domestic subsidies and imperfect competition). The objective of these analyses is to determine the impact of changes in South Africa's trade preferences on the country's economy.

#### Trade promotion

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

#### SMMEs and Local Economic Development

As part of a TIPS co-ordinated programme of research on SMMEs, two research clusters have been prioritised for 2004 and 2005. These relate to the focus themes of sectoral studies on SMMEs, and SMMEs and local economic development.

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

### Sectoral studies on SMMEs

The application of policy and support programmes and frameworks often fails to address the question of sectoral specificity. This project interrogates specific sectoral issues concerning the growth and/or survival of SMMEs.

The core premise of this project is the imperative to unpack the different segments of the SMME economy and to undertake a major programme of sectoral research on the SMME economy.

An important starting point for sectoral focusing is the dti's own identification of priority sectors and analysis of the specific sub-sectoral issues that confront, for example, different groups of SMMEs engaged in Information and Communication Technology (ICT), cultural industries, clothing, agro-processing, automobiles or tourism. Under this programme, TIPS was commissioned by the dti to undertake *The Annual Review of Small Business in South Africa – 2003* in 2004, and will similarly review the South African small business sector for the dti in 2005.

Moreover, TIPS has been involved in a Ten-Year Review of Support to the Small Enterprise sector, and has also collaborated with government colleagues to develop a new strategy for supporting small enterprises. Although the informal sector was highly topical in 2004, primary data remained hard to find. TIPS was able to extract from a variety of publications data that could be used as a proxy for the informal sector, and was party to a workshop at the dti to discuss strategies for convergence between the formal and informal sectors.

### SMMEs and local economic development

The stronger linkage proposed by government between SMME support and local economic development planning in its SMME national strategy highlights the importance of examining this nexus for informing local, provincial and national policy interventions.

In the medium term, TIPS is undertaking policy-relevant research for local economic development concerning the impacts of a diverse range of local initiatives for SMME development, including various forms of hard (business and

high-technology incubators) and soft (training and skilling programmes) infrastructure, the application of area-based improvement programmes, or the application of public procurement. Envisaged research projects for this programme include:

- A national audit of local authority or Provincial initiatives to support SMME development
- The role of high-technology incubators

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

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

### Sector Analysis

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

### Development of consistent data sources

TIPS has played a significant role in facilitating the development of a consistent database depicting Standard Industrial Classification (SIC) two- and three-digit level industrial data. For some sectors of the South African economy, this level of disaggregation is sufficient to allow useful analysis of broad trends within the sector. However, in sectors



such as manufacturing, sub-sectors can have significantly different competitiveness drivers, impediments to growth and receptiveness to policy levers.

To address these problems, TIPS is expanding the level of detail within a specific sector such as manufacturing to provide full coverage of all sub-sectors, as well as breaking out SIC three-digit to SIC four-digit sectors.

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

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

In this regard, TIPS' three-year partnership from 2005 to 2007 with AusAID to implement a regional programme on trade-related policy research in 10 Southern African countries will have a significant impact.

### Basic sector analysis

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

In this vein, TIPS was requested by the Presidency to co-ordinate a project involving a range of sector-based studies to assess the growth potential and constraints facing firms within priority sectors of the South African economy. The project also provided broad analyses of the likely growth drivers within the economy over the next five to 10 years.

Provincial and even local government departments have become important sources of new industrial policy initiatives. In developing new strategies, many of these departments require solid sectoral research with a disaggregation by province or locality. We have worked on a number of these projects, including with the Western Cape and Mpumalanga provincial departments.



TIPS' policy-relevant research support to such provincial industrial strategy initiatives also includes a *Symposium on Sustainable Manufacturing* with the School of Economics and Business Sciences at WITS University and Ekurhuleni Metropolitan Council in 2004.

### Sector strategy development

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

TIPS further envisages analysing long-term international trends in particular sectors and ensuring that these (and their implications) are fully factored into contemporary sector strategy initiatives. For example, international trends in food safety and their potential impact on the domestic prepared foods industry should be analysed.

To some extent this activity could become part of a sectoral technology foresight-type activity essentially focused on ensuring that South Africa builds competitiveness capabilities in appropriate areas. In addition, TIPS will continue to play an advocacy-type role with regard to sectors broadly and the relationship between industrial sectors and key service sectors and/or utilities.

In this regard, TIPS collaborated with the dti in 2004, and will continue such work in 2005, on its CSP Programme, particularly in the field of agro-processing.

### Economic Regulation

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

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

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

### The impacts of regulation

Performing an impact assessment of the consequences of regulations that government intends to introduce is currently neither a requirement nor a general practice in South Africa. In 2004, TIPS completed a research project which reviewed regulatory impact assessment methodologies and developed assessment practices suited to South Africa.

### Improving regulatory governance

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

## Research Functions and Outputs

For each research programme, a range of activities can be implemented. Selecting appropriate activities for each programme ensures TIPS' outputs are carefully planned and evaluated for relevance in the local and regional context before implementation.

### Data development

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

### Development and application of research tools

- Development of new tools or methodologies to answer specific research questions
- Customising and applying best-practice tools available in the rest of world to South African data/research
- Impact assessment tools and techniques
- Collating relevant literature into thematic online 'Resource Pages'

### Capacity building

- Training courses, seminars and workshops
- Continuous improvement of research quality through grants and active involvement in universities' research agendas

### Advocacy

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

### Research

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

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

Our extensive set of published reports, articles and working papers by a wide range of authors is available at [www.tips.org.za/research](http://www.tips.org.za/research).

### Dissemination of research

- Policy-focused Annual Forum
- Small, highly focused workshops
- Substantial biennial thematic volumes of policy-focused research
- Working Paper series
- Quarterly Trade & Industry Monitor

TIPS is also working hard to find more efficient ways of implementing its research programmes, some of which are in new areas and where TIPS has limited prior experience. In these cases we have created a new organisational layer, 'Research Associates', for experienced researchers or policy-makers who commit themselves to being associated with TIPS on a flexible basis. In this way we have been able to ensure that eminent individuals who TIPS could not afford to pay on a full-time basis are available to mentor and support our in-house staff as well as assist with conceptualising new programmes.

## DONOR PROJECTS

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

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

TIPS' donors in 2004 were:

- IDRC, which supports TIPS' function as a research network support and capacity-building institution
- GTZ, which aims to enhance South Africa's international competitiveness
- DFID, which provides project funding for trade research support, particularly to the dti

### IDRC

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

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

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

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

A key activity under this Programme is the development of analytical courses and summer schools targeted at both researchers and mid-level policy analysts. In addition, TIPS convenes a range of research seminars around specific issues which have resulted in significantly better flows of information about international research methods than previously. Overall, we believe that local research capacity is significantly stronger than before.

#### Create absorptive capacity in government for applied research

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

#### Create and support research infrastructure

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

### GTZ

The need to expand expertise in the area of policy-making to enable the formulation and implementation of relevant policy and heighten the positive impact of policy interventions in various sectors of the economy has become increasingly important to policy-makers across the globe.

To enhance the international competitiveness of South Africa, the objective of this Programme is to support trade and industrial policy formulation, establish structures for active debate, build research capacity in the area of policy development, and make national and international research available to initiate public discussion.

In this area, TIPS develops and convenes a number of focused workshops, conferences and winter/summer schools, which are consistently well attended by government officials at various levels, academics from South Africa, Southern Africa and abroad, researchers and regulators.

The TIPS Annual Forum - a vehicle to help to create and sustain a network of researchers in the area of trade and industry and other related fields - is of particular relevance within this Programme. The Forum consistently provides an environment for dialogue between researchers, policy-makers and other stakeholders around policy-relevant issues resulting from research.

## DFID

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

### *Trade Research Support*

In particular, fast-track assistance was required in 2004 to assist the dti with the Cancún Round of WTO negotiations while a design mission was being assembled to develop a more substantial programme of support. Further areas of assistance to the dti were also identified in South Africa's preparations for WTO negotiations on industrial tariffs and intellectual property rights (IPRs), as well as trade liberalisation impact studies.

In this regard, the research carried out by TIPS in 2004 has played a significant role in boosting the dti's analytical capacity. Moreover, the SATPP enabled the development of a simple spreadsheet model used during the negotiations to almost instantly assess the impact on South Africa of the different tariff-reduction formulae that were proposed.

### *Programme to Promote Informed Dialogue*

- The Programme also provides assistance in a wider range of activities to help South Africa to formulate, negotiate and implement pro-poor trade policies, including assistance to the private sector, civil society and government through stakeholder seminars, institutional development and research and capacity-building.
- Under this Programme, TIPS convened a workshop of some 23 researchers and policy-makers from the region to interact with their DTI UK counterparts in March 2004. This workshop was part of a consultation process for a DTI UK White Paper on Trade and Investment, which endeavoured to analyse how the multilateral trading system can be adapted to make it more flexible and of benefit to all its members, especially the poorest. One particular aim of the SA round table, which was part of an international programme of seminars, was to give stakeholders in the region an opportunity to feed into UK policy on trade and provide the DTI UK with a clear African perspective on the UK's current trade policy and the issues and concerns around such policy.
- A seminar series held under the auspices of the National Economic Development and Labour Council (Nedlac) is planned for 2005, with the first seminar to be held in January 2005.
- In addition, a Trade Information Service project has been initiated for Trade and Investment South Africa

(TISA), which reviews South Africa's overall trade performance in 2004 and includes sector-specific analyses of the prospects for various sectors.

## AusAID

Discussions in 2004 with AusAID on support for TIPS to implement a regional programme on trade-related policy research in 10 Southern African countries, has culminated in a three-year partnership. From 2005 to 2007, TIPS will conduct a number of research projects on trade reform in Southern Africa through which TIPS aims to:

- Develop research infrastructure, for example by creating new databases and simple spreadsheets, templates and models
- Formulate policy- and private sector-relevant information tools and publications to inform policy
- Carry out various impact analyses
- Build capacity in the region

TIPS has acted as the management and evaluation agency for the SATRN, an IDRC-funded, Gaborone-based research organisation that supports SADC member states' interaction in the WTO, and has carried out the trade and tariff evaluation of the SADC Trade Protocol Mid-term Review for the SADC Secretariat in 2004.

Having implemented these and a number of other regional research projects over the last six to seven years, TIPS has gained valuable insights into the challenges facing the regions' economies, the constraints under which policy analysis and strategy development occurs, and the relatively limited research (and research infrastructure) capacity prevalent in SADC.

A substantial portion of TIPS' activities in this regard will be focused on developing research infrastructure from a 'public good' perspective. For example, there is currently no database of SADC trade trends based on Member States' data. TIPS aims to fill this gap and provide an online, readily accessible trade database which can be maintained and used by any interested researcher.

Implicit in many of the activities TIPS will carry out is a commitment to identifying policy choices which are pro-poor, pro-growth, or ideally, both. This is likely to occur through a number of different channels, but specifically TIPS will focus on sectors which are labour intensive.

TIPS will further carry out a number of capacity-building activities to address the relatively low levels of analytical capacity in countries in the region.

### Website

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



The online, searchable research database contains approximately 600 papers, focusing on, *inter alia*, trade, industry and regulatory issues, and includes both reviewed working papers and shorter, policy-orientated briefing papers.

The website underwent a significant redesign in early 2004 to provide a more user-friendly interface and improve navigability and access to our resources, and to create a more consistent organisational identity.

### Online Data

Sound economic policy-making is dependent on reliable data and is the bedrock of high-quality analysis. By hosting a number of economic and trade databases from leading global statistical institutions on its website, TIPS has actively addressed a previous lack of access to consistent and current data in South Africa and Southern Africa.

The TIPS economic databases, hosted online and accessed through the TIPS website, is a vital resource for researchers working in both the academic and policy communities.

The organisation continuously strives to improve the format of data presentation to allow for the easy application of economic analysis. Senior policy-makers and researchers are unanimous that TIPS' provision of easy access to high-quality, online data is one of the organisation's most important contributions to policy-making in South Africa.

TIPS online data includes:

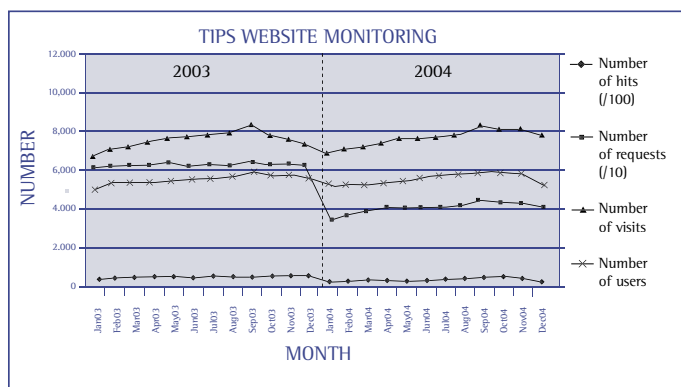
**South Africa Standardised Industry Indicator Time-series:** A disaggregated and consistent long-term view of South Africa's economic structure by industry at the three-digit SIC level.

**South Africa HS Exports and Imports:** Trade time-series data at the HS6-digit level. Over 7,000 commodities classified and over 170 countries of origin for imports or destination for exports.

**South Africa TradeMap, ProductMap and Market-AccessMap:** Developed by the ITC, in conjunction with TIPS and the dti, the database provides trade, growth trends and market shares to facilitate market research for international trade.

- Reserve Bank Database
- OECD Industry Indicators
- International Financial Statistics
- Global Development Indicators
- World Trade Database
- Statistics South Africa Indicators
- UNIDO Industry Indicators
- Abstract of Agricultural Statistics

2004 saw a step up on usage of the ITC's online Market Access tools, TradeMap, ProductMap and MarketAccessMap, thanks to funding from the Swiss government, and a series of workshops run by the ITC and organised by TIPS and other institutions in South Africa. As a result of this initiative, TIPS has increased its own training and capacity-building initiatives around these tools.



Since its inception, TIPS has been committed to capacity building – not only of previously disadvantaged social groups but of women in particular, with at least 50% of the organisation's staff consisting of women or previously disadvantaged individuals.

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

Through our scholarship programme – primarily awarded to previously disadvantaged students and women – we have not only assisted in building capacity in the field of economics, but enhanced skills and promoted the gaining of experience by allowing scholarship students to attend summer/winter schools free of charge.

Business and small enterprises especially have been targeted for regular customised training workshops on database use for export market analysis, sometimes in collaboration with the Small Enterprise Development Agency (SEDA). Our workshops on key economic themes such as competition and regulation attract policy-makers and specialist practitioners.

TIPS also has a significant impact in the area of economic modelling, around which short courses on economy-wide modelling and computable general equilibrium (CGE) techniques are conducted.

With the experience gained in nearly 10 years of work in South Africa, TIPS has expanded its activities to the SADC region, developing courses and workshops on trade data and trade policy geared to assist SADC states in forthcoming trade negotiations.

Our research staff also regularly attends the technical training courses, summer/winter schools, workshops, seminars and conferences offered by TIPS, as well as conferences offered by other institutions. Support staff have attended various computer and accounting training, language skills and conference management courses in 2004.



Training and capacity-building projects at TIPS in 2004 included:

### *Accessing Online Trade Data Training Seminar* 10-12 February 2004

As part of its capacity-building programme, TIPS presented a three-day course to post-graduate economics students from the University of KwaZulu-Natal on using TIPS' online databases, as well as an introduction to economic analysis. A focus of the course was accessing trade data based on South African Customs and Excise data, as well as a session on using the ITC's market analysis tool, TradeMap.

28 post-graduate economics students were introduced to online trade data sources, roughly half of whom were from the recently merged historically black University of Durban-Westville. At least five students have used these databases as a key component in their Masters theses.

### *Economy-Wide Policy Impact Analysis* 29 March - 2 April 2004

Input-output analysis, complemented by means of social accounting matrices, is often used as a tool to conduct meso-level economic enquiry. Researchers frequently use these tools to analyse the impact on production, the environment, prices, employment and income effects of policy-related changes in international trade, taxes, fiscal policy and investment. Economic modelling techniques that capture economy-wide impacts of policy changes are increasingly being used in South African academic, consulting and research circles. To cater for this increased demand, the University of Cape Town's (UCT's) School of Economics, in conjunction with TIPS, offered their fourth one-week introductory course in economy-wide policy impact analysis.

### *Introductory Course on Computable General Equilibrium (CGE) Modelling* 4-16 July 2004

CGE modelling is one of a number of approaches to economy-wide analysis that have become accessible and practicable as data- and computer-based techniques have developed. An increasing number of economists use this framework to analyse real-world issues that were previously approached through inappropriate partial equilibrium methods. As part of their commitment to ensuring that Southern Africa benefits from these developments, the University of Cape Town and TIPS presented a series of related short courses over the past four years, of which this course formed



part. The course integrated theory, live data, hands-on computer work and practical applications.

Participants were:

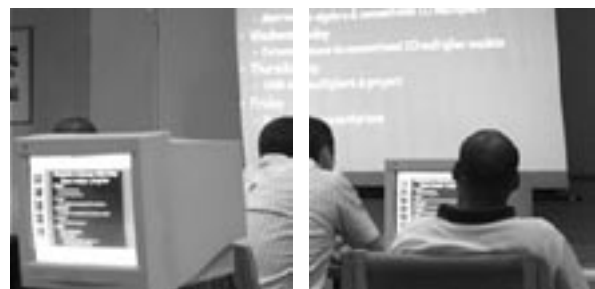
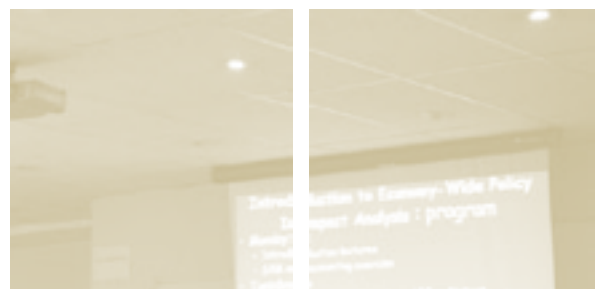
- Introduced to the micro, macro and trade theories that underlie typical CGE models.
- Provided with an overview and practical examples of Social Accounting Matrices (SAMs) and of parameter and elasticity estimation methods which typically provide the data on which CGEs are built.
- Taught GAMS, a programming language widely used in economy-wide policy modelling.
- Exposed to issues involved in using models for specific applications, such as the analysis of trade, public finance, regulation and environmental economics.

A number of these topics were presented by special instructors, bringing a wide range of practical experiences to the learning process.

### *Economic Regulation and Restructuring of Infrastructure Industries Workshop* 22-23 July 2004

TIPS held an intensive two-day workshop on economic regulation and restructuring of infrastructure industries, which focused on:

- The economic characteristics of infrastructure industries, public enterprises and monopolies
- The rationale for regulating infrastructure industries
- The form regulation can take and the institutions that apply regulation





- How to draw upon international experience of economic reform and country case studies on regulation and restructuring
- What is required for successful regulation in the South African context

Workshop delegates included senior officials from the Department of Transport, the Competition Commission, the dti and The Presidency.

*Contribution to WITS University Masters Course on Applied Trade Policy  
August-October 2004*

TIPS senior economist Dirk van Seventer presented an applied trade policy course at WITS University, basing the practical component of the course primarily on TIPS resources and data, as well as using the methodologies employed by TIPS in its trade policy work conducted over the last 10 years.

*Strategic Market Analysis for International Business Development  
4-5 November 2004*

This seminar was of particular interest to businesses engaged in or planning to venture into international trade, and focused on the utilisation of ITC's tools for market analysis in the development of international trade strategies. The objectives of the seminar were to enable participants to think strategically in the application of market research, and contribute to the design of trade promotion strategies. The course was specifically designed for professionals involved in international market research in the small business sector, and for trade support bodies such as chambers of commerce or industry associations.

Topics included:

- How market research is conducted
- A framework for trade strategy formulation building on market analysis
- Market positioning tools, such as ITC's TradeMap.
- Product-specific strategic research tools, such as ITC's ProductMap

*Advanced Seminar on Market Analysis for Trade-led Growth Strategies  
8-9 November 2004*

TIPS, in collaboration with the Market Analysis Section (MAS) of the ITC, hosted this seminar specifically for trade policy analysts and academics involved in international trade research and planning. The seminar was an opportunity to share experience with ITC experts on its tools for market analysis in the development of international trade strategies, as well as other new tools developed by the ITC.

TIPS plays an important role in disseminating its own research and that conducted within the TIPS network. This is confirmed by the extent to which TIPS is the first organisation approached by many policy analysts for advice, support or simply information.

This view is supported by the fact that TIPS events are attended and TIPS is invited for briefings by various Ministers, Directors-General and senior government officials.

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

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

### *UK White Paper on Trade and Investment South Africa Seminar* 29 March 2004

The UK Department of Trade and Industry produced a White Paper on Trade and Investment in middle-2004, which addressed, among other issues, how the multilateral trading system can be adapted to make it more flexible and of benefit to all its members, especially the poorest.

As part of the consultation process for the White Paper, the DTI UK initiated a programme of seminars on the key themes during March 2004, which included a seminar on trade and development in South Africa. DFID facilitated and TIPS co-ordinated the South Africa round table discussion and prepared its Proceedings for the DTI UK, which provided an important opportunity for stakeholders in the region to feed into UK policy on trade. One particular aim was to flesh out how the poorest people in developing countries can benefit from trade and how the UK can contribute to this goal.

### *the dti/UNIDO Competitiveness Conference: An Institutional Approach to Competitiveness* 7 June 2004

To generate a broader understanding of competitiveness in South Africa, the Strategic Competitiveness Unit (SCU) of the dti hosted a high-level conference on competitiveness, in conjunction with the United Nations Industrial Development Organisation (UNIDO).



The overarching theme of the Conference was the critical role of institutions, at both national and regional level, in advancing industrial upgrading.

The keynote speech – *Assessing and Benchmarking Industrial Performance: the UNIDO Industrial Development Score Board* – was delivered by Sanjaya Lall, Professor of Development Economics, International Development Centre, Oxford University. The audience comprised senior government policy analysts, representatives of industry associations, science councils, private sector opinion-makers and researchers on industrial development.

The key objectives of the conference were:

- To shift the intellectual debate in South Africa towards a more sophisticated understanding of the determinants of competitiveness, particularly the critical role of institutions.
- To generate an understanding of the policy and institutional arrangements that accompanied high growth in dynamic developing, transition and selected advanced economies.
- To draw together key South African thinkers and opinion-makers to discuss and debate issues of competitiveness.

TIPS prepared a summary of each Conference session and assisted the dti with putting together the final Conference report.

### *Wits-Ekurhuleni Symposium on Sustainable Manufacturing* 10-11 June 2004

From being the largest producer of gold in the world, Ekurhuleni has evolved into a global competitor in business and industry. The mining boom in the East Rand facilitated the growth of a substantial manufacturing support base in the area, especially in terms of metal products, machinery and engineering. Today, Ekurhuleni accounts for more than 40% of the manufacturing that takes place in Gauteng, and in many industries, Ekurhuleni accounts for around one-third of national manufacturing output.

Notwithstanding these figures, there has been a general decline in the manufacturing sector over the past few years, and it has become imperative to develop a consensus on the state of manufacturing, the basis for manufacturing performance and – importantly – how to ensure sustainable manufacturing in the longer term.

Ekurhuleni Metropolitan Municipality and WITS University hosted a symposium to highlight the importance of sustainable manufacturing for the South African economy.

The Symposium was organised around the main themes of:

- National developments and industrial policy
- Sustainability, employment, environment, HIV/Aids and skills development
- Industry in local economic development
- Manufacturing sector studies

Key decision-makers from government, Labour, and research and supporting institutions, including the Presidency, the dti, the Gauteng Provincial Government, Cosatu, the IDC, the CSIR, Mintek, the South Africa cities network, and sector education and training authorities Merseta and Chieta participated in the symposium.

The objectives of the Symposium were to:

- Draw on the wide range of existing research which has been undertaken on manufacturing development
- Develop a common understanding of sustainable manufacturing
- Assess case studies of manufacturing, in different industries, different locations and Metros, and international experiences
- Examine the policy initiatives and actions of institutions tasked with manufacturing development
- Develop an emerging consensus on the state of manufacturing, understandings of sustainability and the role of government

The research papers from the Symposium were published as an edited book, drawing together the current state of

knowledge on sustainable manufacturing in South Africa. TIPS assisted in organising the Symposium and producing the conference material.

*ICTSD/UNIDO Regional Dialogue on Intellectual IPRs: Innovation and Sustainable Development in Eastern and Southern Africa*

29 June - 1 July 2004

This initiative was developed in the framework of the joint UNCTAD/ICTSD Project on IPRs and Sustainable Development, which aims to improve the understanding of the development implications of IPRs and facilitate an informed participation of developing countries in ongoing negotiations, through policy-oriented research, multi-stakeholder dialogues and outreach.

The dialogue aimed to:

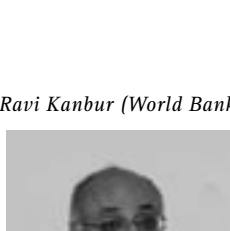
- Provide a platform for a strategic discussion between relevant stakeholders (negotiators, capital-based policy makers, academia, NGOs and private sector) on relevant trends and thematic issues in the area of intellectual property and their implications for sustainable development
- Develop elements of a 'regional agenda' for development-oriented Intellectual Property (IP) policies and informal mechanisms to advance it in the coming years, among others, through joint research and networking

The dialogue was organised and conducted as an open informal process, bringing together stakeholders with a variety of interests and experiences.

TIPS assisted ICTSD/UNIDO with logistics and partner support for the dialogue, and prepared a Proceedings of the Dialogue, which included the Dialogue Working Groups' identification of areas of strategic concern where further research is needed, as well as the actions to be followed up to establish continuous interaction and discussion amongst Dialogue participants.



Alan Hirsch (The Presidency)



Ravi Kanbur (World Bank)



Alice Amsden (MIT)



John Page (World Bank)



Ebrahim Rasool (Western Cape Premier)

### *Third International Conference: Pro-Poor Regulation & Competition: Issues, Policies and Practice* 7-9 September 2004

This conference was the third of a series of international conferences on regulation and competition under the auspices of the Centre on Regulation and Competition (CRC) - and the only one to be held in Africa so far. It was co-ordinated by the School of Public Management and Planning at the University of Stellenbosch, in partnership with TIPS, the African Forum for Utility Regulation (AFUR) and the National Electricity Regulator (NER).

The 2004 Conference brought together experts and researchers to:

- Assess the state, policies, practices, effects and impacts of regulation, competition and regulatory governance in selected countries around the world
- Identify and initiate debates on, and propose strategic innovations and good practices in regulation and competition
- Bring practitioners in the field of regulation and competition together to exchange information and share best practice initiatives

Selected papers from the conference were published in a range of journals and in the Edward Elgar/CRC book series on Competition, Regulation and Development.

### *Growth, Openness and Poverty in South Africa and Thailand* 16 October 2004

TIPS organised this workshop on behalf of the Department of Economics of the Norwegian University of Science and Technology. The discussions included broad debate on productivity dynamics and growth-openness-distribution, and dynamic economy-wide modelling and dynamic econometric approaches. Participants at the workshop included Jørn Rattsø of the Norwegian University of Science and Technology, Torfinn Harding of Statistics Norway and the Norwegian University of Science and Technology, Alice Amsden of MIT and Johann Fedderke of WITS University.

### *The Presidency/ComMark Trust Sector Workshop* 25 November 2004

The Presidency and the ComMark Trust, in collaboration with TIPS, hosted a workshop to assess and discuss the prospects of key sectors of the South African economy in preparation for the Presidency's contribution to the January 2005 Cabinet *Lekgotla*.



The objectives of the workshop were to better understand:

- The sectoral, micro-level dynamics and trends of key sectors
- The constraints and opportunities which these sectors face in both the domestic and export markets
- The policy levers available to government to invigorate sector development
- The likely growth potential of individual sectors if identified constraints could be addressed effectively
- The likely spill-over effects of sectoral growth for the macroeconomy

The aim of the workshop was to inform government policy and planning processes at both departmental and inter-departmental levels through the research presented and the discussions and research work that followed.

Papers were presented on a wide range of sectors, including the automotive, metals and machinery, chemicals, clothing, business process outsourcing, telecommunications, tourism, grain milling and wine industries. TIPS presented a South African Sectoral Outlook for 2004-2009.

Approximately 50 delegates attended this workshop, with significant numbers from the private sector and government departments. The business media widely reported on the workshop and its debates as an important forecast of South African economic performance for the next five years.

## Annual Forum

The Annual Forum, a vehicle to create and sustain a researcher network in trade, industry and related fields, contributes greatly to debates around pertinent developing country economic policy issues. TIPS hosts a high-profile Forum each year. Attended by senior policy-makers and many of South Africa's leading academics and researchers, this event sustains the research network and ensures that the research community is sufficiently informed of government's key policy concerns to be able to contribute effectively.

*TIPS/DPRU/Cornell University Forum 2004  
African Development and Poverty Reduction: The  
Macro-Micro Linkage  
13-15 October 2004*

TIPS and the DPRU, in association with Cornell University, held an international conference to bring the best global research on issues around macro- and micro-economic linkages to the attention of African policy-makers. The conference had a broad remit, covering theory, empirics and policy, while addressing individual countries, groups of countries, or the continent as a whole.

The Conference focus echoed the South African government's facilitative role in the African Union, as the organisers believe South African research organisations should play a leading role in promoting dialogue between policy-makers and the research community – not only in South Africa but in the region more broadly.

The objective for the Conference was to provide an environment within which robust debate can ensure that the research community is more attuned to the kinds of research questions facing the policy community, and that the policy community is aware of the latest relevant research available – locally, regionally and internationally.

Western Cape Premier Ebrahim Rasool opened the Conference, while Ravi Kanbur of Cornell University (and the former editor of the World Development Report) delivered a constructive critique on the World Bank's new policy on development policy lending.

The Forum's opening and closing keynote addresses were delivered by John Page, World Bank chief economist: Africa region, and Alice Amsden of the MIT respectively.

The Forum was attended by approximately 200 delegates, including senior academics from South Africa, senior government officials and many from the region. A selection of the best papers is to be published in the *Journal for African Economics*, co-edited by Haroon Borhat of the DPRU, Stephen Hanival of TIPS and Ravi Kanbur.

The Conference was sponsored by GTZ, the Friedrich Ebert Stiftung South Africa, Cornell University, the IDRC and the US Agency for International Development (USAID).



Research Dissemination

TIPS plays a significant role in supporting the South African government's economic policy development. TIPS' reputation for quality research which is not only academically sound but also policy-relevant remains our key competitive advantage in SA. In particular, TIPS is regularly approached by the dti, and increasingly other government departments, to assist in implementing research activities or simply for policy advice. We believe this demonstrates TIPS' continued relevance in South Africa's rapidly maturing policy arena.

But TIPS' role has also evolved to include larger, longer-term research projects where the capacity to co-ordinate and manage multiple researchers and research phases is important. In addition, projects which require substantial data manipulation, database development, the institutionalising of the research results and the development of online 'Resource Pages' for subsequent additional research are niche requirements where TIPS is fully able to support the research community.

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

Internal Publications

Trade & Industry Monitor 2004

The quarterly Trade & Industry Monitor is published and distributed by TIPS to almost 500 subscribers locally, in the region and internationally. The Monitor's short, accessible economic research articles on trade and industrial policy, and information on events, seminars and scholarships in these fields, allow a target audience of mainly government officials access to policy-relevant issues and recommendations.

Trade and Industry Monitor Volume 29: Targeting Key Export Growth Markets

March 2004

In this edition of the Trade and Industry Monitor we featured two articles on South Africa's presence in key traded product markets, and a report on some of the likely implications of the planned EU expansion.

These and similar exercises in which TIPS is currently engaged are not necessarily about 'picking winners' but rather assisting government to target those sectors where it has the highest potential to have a substantial impact and



where the rewards are likely to be greatest relative to the inputs required.

Contributors to this Monitor included the dti's Nimrod Zalk, who analysed the role of dynamic products in global integration and its implications for South Africa, as well as Ron Sandrey of New Zealand's Ministry of Foreign Affairs and Trade (MFAT), who addressed the implications for South Africa of European expansion.

Trade and Industry Monitor Volume 30: Technology in Aid of Development

June 2004

In this edition of the Monitor, we focussed on various aspects of economic development – high-technology product trade performance; whether technology usage facilitates goods and services exports; lessons on successful poverty reduction efforts; and how constructive partnerships between governments, civil action groups and other parties can assist development efforts.

For this journal, Philip Alves and David Kaplan of the Univer-

sity of Cape Town examined the technological composition of South African exports and our trade performance against both developed and developing countries. In our *World Trade Watch*, we reported on the most important outcomes of UNCTAD XI, held from 13-18 June in São Paulo, as well as the 25-27 May Shanghai Conference on poverty alleviation, which identified practical measures to accelerate growth and progress in poverty reduction.

A World Bank Policy Research Working Paper by George Clarke and Scott Wallsten looked at the question of whether – if the Internet has made it easier for firms to enter new markets by reducing communication and search costs – it may also have made it easier to export goods and services.

#### Trade and Industry Monitor Volume 31: Context-specific Economic Policy

September 2004

This expanded edition of the Monitor was loosely themed around trade policy in support of the breakthrough in WTO 'negotiations on negotiations'. Whilst some have hailed this as an 'historic' breakthrough – partly because for the first time all member states have agreed to the (eventual) abolition of all forms of agricultural subsidies – not all trade watchers are as optimistic. The Institute for Agriculture and Trade Policy, for example, has argued that the 'success' was achieved only because the bar was set exceedingly low. Whilst we agree that WTO negotiations are seldom the place for undue optimism, we do believe that the Agreement is a positive development.

It was therefore particularly timely that we carried an article by Xavier Carim, South Africa's chief trade negotiator at the dti in this Monitor, in which he presented a detailed discussion of the rationale for South Africa's approach to trade policy over the last decade. Of principal interest, given that SA's trade negotiators have all too often been accused of negotiating 'too many' agreements, is Carim's discussion of the need to negotiate new agreements simply to maintain preferences in a world of growing bilateral and regional trade agreements.

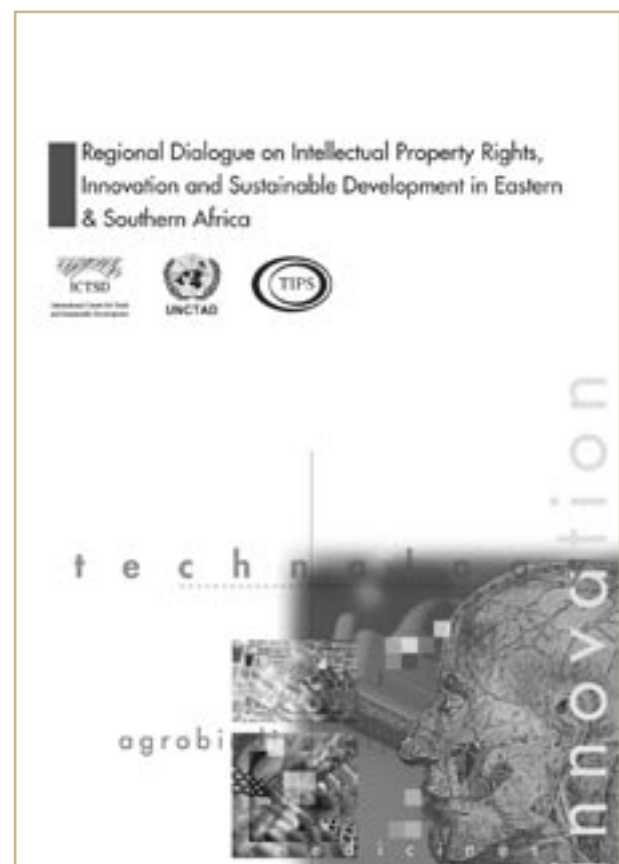
Also in this edition, Prof. Dani Rodrik of Harvard University proposes some important new policy directions for developed and developing countries to think about in the context of WTO negotiations, while Prof. Sanjaya Lall of Oxford University discusses the new dimensions of industrial competitiveness and suggests a 're-invented' role for government in industrial policy.

#### Trade and Industry Monitor Volume 32: Trade Policies Review - Experiences and Impacts

December 2004

This edition of the Monitor considered various aspects of trade policy and its influence on development and growth. The article by Cosatu's Tanya van Meelis and Neva Makgetla, which looked at the impact of trade on economic structure, was a response to Xavier Carim's article, *South Africa's Trade Policy: Ten Years On*, published in the September 2004 Monitor.

In November 2004, SBP published a ground-breaking new report on regulatory compliance cost in South Africa. The SBP study, *Counting the Cost of Red Tape for Business in South Africa*, is the first comprehensive survey of its kind in the country, and covers regulatory compliance costs from large corporations through SMEs to the informal sector. This Monitor carried the key findings of the report, which estimates that, based on a costing of the time spent and professional fees paid to meet regulatory requirements, compliance costs are about R79-billion a year across the economy.





## PUBLICATIONS

### Working Paper Series 2004



Author(s)	Title	Organisation
James Thurlow	A Dynamic Computable General Equilibrium (CGE) Model for South Africa: Extending the Static IFPRI Model WP 1-2004	International Food Policy Research Institute L'Institut de Recherche pour le Développement University of Natal
Nimrod Zalk	The Role of Dynamic Products in Global Integration: Implications for South Africa WP2-2004	the dti
Ron Sandrey	Non-tariff Measures Facing Exports from South and Southern Africa WP3-2004	New Zealand MFAT
Rob Davies and Dirk Ernst van Seventer	A Three-gap and Macro Decomposition Analysis for South Africa, 1993-2002* WP4-2004	University of Zimbabwe and TIPS
James Hodge	Universal Service Through Roll-out Targets and Licence Conditions: Lessons from Telecommunications in South Africa* WP5-2004	University of Cape Town
Nick Vink	The Influence of Policy on the Roles of Agriculture in South Africa* WP6-2004	University of Stellenbosch
Penelope Hawkins	South Africa's Financial Sector Ten Years On: Performance Since Democracy* WP7-2004	FEASibility
Simon Roberts	The Role for Competition Policy in Economic Development: The South African Experience* WP8-2004	WITS University
Sanjaya Lall	Reinventing Industrial Strategy: The Role of Government Policy in Building Industrial Competitiveness** WP9-2004	University of Oxford
Christopher D. Mlosy, Charmain Modise and Thomas E. Pogue	Productivity in South Africa: Friend or Fiend? WP10-2004	Council for Science and Industrial Research (CSIR)

\* Presented at the TIPS/DPRU Annual Forum 2003 and published in *Development Southern Africa* Vol. 21, No. 1, March 2004

\*\* Presented at the dti/UNIDO Competitiveness Conference: *An Institutional Approach to Competitiveness*, held from 7-10 June 2004, Johannesburg

## Forum 2004 Papers

13 October 2004

## Plenary Session

## Keynote Address:

Strategies for 'Pro-Poor Growth' – Pro-poor, Pro-growth or Both?

John Page, *Chief Economist, Africa Region, World Bank*

## Parallel Sessions

Parallel Session 1A:  
Challenges to Improved Health  
in AfricaThe Determinants of HIV-related  
Knowledge and BehavioursPeter Glick & David E. Sahn, *Cornell  
University*Infant Mortality in Uganda:  
Determinants, Trends and the Millen-  
nium Development GoalsSarah Ssewanyana, *Economic Policy  
Research Centre* & Stephen Younger,  
*Cornell University*Are Wealthier Nations Healthier Na-  
tions? A Panel Data Approach to the  
Determination of Human Development  
in AfricaIssidor Noumba,  
*University of Yaoundé II*Parallel Session 1B:  
Growth and Poverty LinkagesMacroeconomic Growth, Sectoral Qual-  
ity of Growth and Poverty in Developing  
Countries: Measure and application to  
Burkina FasoBoccanfuso Dorothée, *Université de  
Sherbrooke* & Tambi Samuel Kabore,  
*Université de Ouagadougou*Growth and Redistribution Effects of  
Poverty Changes in CameroonFrancis Baye, *University of Yaoundé II*Modelling Pro-poor Agricultural Growth  
Strategies in Malawi: Lessons for Policy  
and AnalysisAndrew Dorward, Jamie Morrison,  
*Imperial College London*, Peter Wobst,  
Hans Lofgren & Hardwick Tchale,  
*University of Bonn and IFPRI*Parallel Session 1C:  
Macroeconomic Policy and  
Economic Growth in  
South AfricaBudget Reform as a Means to  
Strengthen the Link between Macro  
and Micro PoliciesTaz Chaponda, Neil Cole & Mickie  
Schoch, *National Treasury*Inequality in South Africa: Nature,  
Causes and ResponsesStephen Gelb, *The Edge institute*How Responsive is Capital Formation  
to its User Cost? An Exploration of  
Corporate Tax EffectsStephen F. Koch, *University of Pretoria*  
& Albert de Wet, *National Treasury*

## PUBLICATIONS

14 October 2004

### Parallel Sessions

#### Parallel Session 2A: Export Promotion in Africa

Export Processing Zone Expansion in Madagascar: What are the Labour Market Impacts?

Peter Glick, *Cornell University* & Francois Roubard, *Développement et Insertion Internationale*

#### Parallel Session 2B: Growth and Poverty Linkages

The Road to Pro-Poor Growth in Zambia

James Thurlow & Peter Wobst, *IFPRI*

#### Parallel Session 2C: Savings and Credit Markets in South Africa

Financial Services and the Informal Economy

Cally Ardington & Murray Leibbrandt, *University of Cape Town*

Exporting from Manufacturing Firms in Sub-Saharan Africa: Micro Evidence for Macro Outcomes

Neil Rankin, Måns Söderbom & Francis Teal, *Oxford University*

The Missing Links: Uganda's Economic Reforms and Pro-Poor Growth

Robert Kappel, *University of Leipzig* & Susan Steiner, *Institute of African Affairs*

Labour Force Withdrawal of the Elderly in South Africa

David Lam & Vimal Ranchhad, *University of Michigan* & Murray Leibbrandt, *UCT*

Economic Growth without Poverty Reduction: Identifying the Missing Links in Tanzania during Economic Reform

Anders Danielson, *Lund University*

Impact of HIV/Aids on Saving Behaviour in South Africa

Sandra Freire, *Université Paris*

#### Parallel Session 3A: Challenges to Small Business Development

Small Business Entrepreneurship in Dar Es Salaam, Tanzania: Exploring Problems and Prospects for Future Development

Rashid M. Mfaume & Wilhelm Leonard, *Mzumbe University*

#### Parallel Session 3B : Constraints on Competitiveness for Agricultural Products

Agricultural Sector Investment and the Role of Public-Private Partnership

David J. Spielman, *IFPRI*

#### Parallel Session 3C: Impact of Trade Reform and Industrial Policy

Trade and Poverty Mainstreaming: Practical Approaches for Policy-makers and Donors

Helena McLeod, *DFID, South Africa*

### *Parallel Session 3A: Challenges to Small Business Development*

Macro-Micro linkages in Trade: Does Trade Liberalisation Lead to Improved Productivity in South African Manufacturing Firms?

Imraan Valodia & Myriam Velia, *University of KwaZulu-Natal*

### *Parallel Session 3B : Constraints on Competitiveness for Agricultural Products*

Prospects and Challenges of Agricultural Technology Market Linkage Under Liberalisation in Ghana: Evidence from a Micro-data

Tsegaye Yilma Dessaegn, Ernst Berg & Thomas Berger, *University of Bonn*

### *Parallel Session 3C: Impact of Trade Reform and Industrial Policy*

Missed opportunities and Missing Markets: Spatio-temporal Arbitrage of Rice in Madagascar

Cristine Moser & Bart Minten, *Cornell University*

Industrial Strategy and Local Economic Development: Manufacturing Policy and Technological Capabilities in Ekurhuleni

Thandi Phele, Simon Roberts & Ian Steuart, *WITS University*

### *Parallel Session 4A: Challenges to Poverty Alleviation in Subsistence Agriculture*

Analysis of Farmers' Preferences for Development Intervention Programmes: A Case Study of Subsistence Farmers from Eastern Ethiopian Highlands

Wagayehu Bekele, *Alemaya University*

### *Parallel Session 4B: Institutions and Social Capital*

Institutional Framework, Interest Rate Policy and the Nigerian Manufacturing Sub-sector

Babasanmi Babatope-Obasa & Michael Adebayo, *National University of Lesotho* & Adebisi, *University of Lagos*

### *Parallel Session 4C: Wages and Employment: Discrete Labour Market Issues*

Labour Migration and Households: A Reconsideration of the Effects of the Social Pension on Labour Supply in South Africa

Dorrit Posel, James Fairburn & Frances Lund, *University of KwaZulu-Natal*

Alleviating Rural Poverty Through Efficient Small Holders Farming Systems in Ethiopia: Relevance of Macro Policies with Ground Realities

DK Grover & Anteneh Temesgen, *Punjab Agricultural University*

Multilateral Organisations: Instruments for Donors' Foreign Policy?

Espen Villanger, *Christian Michelsen Institute*

Two Million Net New Jobs: A Reconsideration of the Rise in Employment in South Africa, 1995-2003

Daniela Casale, Colette Muller & Dorrit Posel, *University of KwaZulu-Natal*

Infrastructure Privatisation and Poverty Reduction in Africa

Afeikhena Jerome, *NIEP*

Ethnicity and Governance in Africa: Challenging the Consensus

Melvin Ayogu, *UCT*

The Post *Apartheid* South African Labour Market

Morné Oosthuizen & Haroon Borhat, *DPRU*

## PUBLICATIONS

### *Parallel Session 5A: Approaches to Understanding Poverty in Africa*

Estimating Utility-consistent Poverty Lines

Channing Arndt, *Purdue University*

### *Parallel Session 5B: Trade, Technology and Growth in Africa*

Trade Widening and Deepening

Ron Sandrey, *New Zealand MFAT* &  
Dirk Ernst van Seventer, *TIPS*

### *Parallel Session 5C: Micro-effects of Macro Reform*

Capital Flight from South Africa, 1980-2000

Seeraj Mohammed & Kade Finnoff, *University of Massachusetts*

Swaziland: In the Pursuit of Economic Liberalisation and Growth: How Poverty is Reproduced at the Micro-level Under Changing Labour Market Regimes?

Gabriel Tati, *University of Swaziland*

The Conjuncture of Poverty. Micro-simulation Linked to a Macroeconomic Forecasting Model: An Application to Senegal

Thierry Latreille, *Agence Française de Développement*

The Global Market Place: How Far Can Nigeria Go with the Present Non-oil Product Mix?

Rosemary N. Okoh, *National Centre for Economic Management and Administration*

15 October 2004

#### Gala Dinner Address:

The World Bank's New Policy on Development Policy Lending: A Constructive Critique, Ravi Kanbur, *Cornell University*

#### Final Plenary Session

##### Keynote Address:

From Heaven to Hell: Two American Empires in the Developing World, Alice Amsden, *MIT*

### *Parallel Session 6A: Poverty, Inequality and Labour Markets in Africa*

Youth Labour Markets in Africa

Cecil Mlatshni, *UCT*

### *Parallel Session 6B: Rural Livelihood Strategies*

The Demand for Education for Orphans in Zimbabwe

Craig Gundersen, *Iowa State University*,  
Thomas Kelly, *Economic Consultant*,  
Kyle Jemison, *Catholic Relief Services*

### *Parallel Session 6C: Unemployment Dynamics in South Africa*

The Mystery of South Africa's Ghost Workers in 1996: Measurement and Mismeasurement in the Manufacturing Census, Population Census and October Household Surveys

Martin Wittenberg, *University of Cape Town*

<i>Parallel Session 6A: Poverty, Inequality and Labour Markets in Africa</i>	<i>Parallel Session 6B: Rural Livelihood Strategies</i>	<i>Parallel Session 6C: Unemployment Dynamics in South Africa</i>
<p>Geography as Destiny: Considering the Spatial Dimensions of Poverty and Deprivation in South Africa</p> <p>Ronelle Burger, Servaas van der Berg, Sarel van der Walt &amp; Derek Yu, <i>University of Stellenbosch</i></p>	<p>Agricultural Policy, Technology and Food Security in the African Maize Sector</p> <p>Göran Djurfeldt &amp; Rolf Larsson, <i>Lund University</i></p>	<p>The Dynamics of Job Search and the Micro-foundations of Unemployment: Evidence from Duncan Village</p> <p>David Fryer, <i>Rhodes University</i></p>
<p>Genocide and Land Scarcity: Can Rwandan Rural Households Manage?</p> <p>Maryke Verpoorten, <i>Leuven University</i></p>	<p>Implications of Genetically Modified Food Technology Policies for Sub-Saharan Africa</p> <p>Kym Anderson, <i>World Bank, Centre for Economic and University of Adelaide</i> &amp; Lee Ann Jackson, <i>WTO Secretariat</i></p>	<p>The Effects of Minimum Wage Regulations on the Incomes of South African Domestic Service Workers</p> <p>Tom Hertz, <i>American University</i></p>
<i>Parallel Session 7A: Well-Being and Poverty</i>	<i>Parallel Session 7B: Trade and Financial Flows</i>	<i>Parallel Session 7C: Financing and Development</i>
<p>Well-Being Poverty Versus Income Poverty and Capabilities Poverty in South Africa?</p> <p>Geeta Kingdon &amp; John Knight, <i>Oxford University</i></p>	<p>Trade Liberalisation and Factor Returns in South Africa, 1988-2002</p> <p>Lawrence Edwards, <i>UCT</i></p>	<p>Foreign Aid and Population Growth: Evidence from Africa</p> <p>Leonid Azarnert, <i>Tel-Aviv University</i></p>
<p>Community, Comparisons and Subjective Well-being in a Divided Society</p> <p>Geeta Kingdon &amp; John Knight, <i>Oxford University</i></p>	<p>The Economy-wide Impacts of the Labour Intensification of Infrastructure Expenditure</p> <p>Anna McCord, <i>UCT</i> &amp; Dirk Ernst van Seventer, <i>TIPS</i></p>	<p>Credit Demand and Credit Rationing in the Informal Financial Sector in Uganda</p> <p>Nathan Okurut &amp; Andrie Schoombee, <i>Rhodes University</i> &amp; Servaas van der Berg, <i>University of Stellenbosch</i></p>
<p>Households and Labour Market Status in South Africa</p> <p>Farah Pirouz, <i>WITS University</i></p>	<p>Trade Liberalisation and Regional Integration in SADC: Policy Synergies Assessed in an Industrial Organisation framework</p> <p>Martine Visser, <i>UCT</i> &amp; Trudi Hartzenberg, <i>Tralac</i></p>	<p>Financial Intermediation and Access to Finance in African Countries South of the Sahara</p> <p>Neren Rau, <i>South African Reserve Bank</i></p>

### External Publications

#### *The Structure and Pattern of SADC Trade: An Analysis undertaken for the Mid-Term Review of the SADC Trade Protocol* SADC Secretariat

For the purpose of the MTR, TIPS collected trade data from the various SADC members with the aim to make trade databases available in electronic format to the SADC Secretariat to be accessible via the Internet. Data has been collected for all SADC countries currently implementing the Trade Protocol, and is available from the Secretariat. It is envisaged to make the database available to member states in the near future.

The aim of *Part I: Overview of the Structure and Pattern of SADC Trade* of the report was to undertake a summary of the structure and patterns of trade in SADC. For this, TIPS generated tables for as many SADC member states as possible, depending on the availability of data in the UNComTrade database over the period 1997-2002.

The aim of *Part II: SADC Aggregate and Product Level Trade Flows* was to provide a summary of the structure and patterns of trade within the SADC region, based on the SADC member states' data. TIPS generated tables for as many SADC member states as possible, covering the period 1998-2002.

#### *Provincial Economic Review & Outlook 2005* Western Cape Provincial Treasury

A key input into the budget process, the annual PER&O is published at the same time as the MTBPS, contributing towards a deeper, robust policy understanding and engagement on the Western Cape economy, and enhancing the coherence and consistency of provincial macroeconomic, microeconomic and budgetary economic policy advice over the medium term. The 2005 PER&O:

- Reviewed past performance of the provincial economy.
- Provided a medium-term outlook on key provincial economic variables, drawing from provincial macroeconomic modelling analyses.

- Considered sectoral outlooks in respect of their contribution to provincial economic activity and employment, drawing from detailed sector analyses.
- Identified specific constraints and challenges to improving the Western Cape's economic growth and development prospects over the medium-term.
- Posed a series of policy questions and identifies areas for further research and analysis.

As Project Manager for this publication, TIPS was responsible for the overall management of the project and co-ordination of the project team, as well as content editing, guidance on layout and design, and final print and electronic publication of the report. TIPS further provided editorial and publishing support to Western Cape Provincial Treasury on the MTBPS 2005-2008.

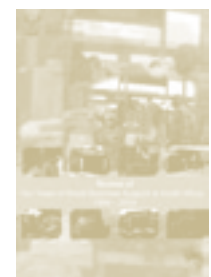
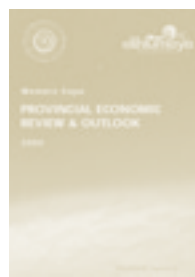
#### *Annual Review of Small Business in South Africa – 2003* the dti

This project and publication sought to address two immediate needs:

- The requirement from the dti and Parliament for an annual assessment of the impact of government policy in this key dimension of government activity.
- The need to develop a consistent dataset of SMMEs that have been interviewed repeatedly over time, to give the dti access to a wealth of analytically sound information about how SMMEs develop in different economic climates and their support needs at different times in their development.

In collaboration with the dti, TIPS commissioned the research for this report, was responsible for overall project management and co-ordination of the project team, as well as content editing, layout and design, and final print and electronic publication of the report.

TIPS further provided editorial and publishing support to the dti on its supplementary report, *Ten Years of Small Business Support in South Africa 1994-2004*.

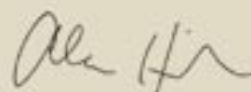


DIRECTORS' APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements for the year ended 31 December 2004 set out on pages 32 to 41 were approved by the board of directors on 3 August 2005 and are signed on its behalf by –



S Hanival



A Hirsch

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2004

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## REPORT OF THE INDEPENDENT AUDITORS

### To the Members of Trade and Industrial Policy Strategies (TIPS)

We have audited the annual financial statements of Trade and Industrial Policy Strategies (TIPS) set out on pages 32 to 41 for the year ended 31 December 2004. These financial statements are the responsibility of the directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Statements of International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company at 31 December 2004, and the results of its operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act in South Africa.

*KPMG Inc.*

*KPMG Inc.*

Registered Accountants and Auditors  
Chartered Accountants (SA)

Johannesburg  
3 August 2005

The directors present their annual report, which forms part of the audited annual financial statements of the company for the year ended 31 December 2004.

### Business activities

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

### Directors' responsibilities

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

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

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

### Review of operations

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

### Directors

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

A Hirsch  
M Holden  
T Matona  
S Hanival

### Secretary

Ian Juszkiewicz

### Business address

814 Church Street  
Arcadia  
0083  
Pretoria

### Postal address

PO Box 11214  
Hatfield  
0028  
Pretoria

# TIPS ANNUAL REPORT 2004

## BALANCE SHEET

at 31 December 2004

	Note	2004 R	2003 R
<b>Assets</b>			
<b>Non-current assets</b>			
Furniture and equipment	2	118 562	155 678
<b>Current assets</b>			
Accounts receivable	3	1 382 900	102 131
Bank and cash balances		4 025 850	7 185 564
<b>Total assets</b>		<b>5 527 312</b>	<b>7 443 373</b>
<b>Funds and liabilities</b>			
<b>Accumulated funds</b>			
Project funding	4	3 995 797	6 121 668
Fixed asset funding	1.7	118 562	155 678
<b>Current liabilities</b>			
Accounts payable		1 412 953	1 166 027
<b>Total funds and liabilities</b>		<b>5 527 312</b>	<b>7 443 373</b>

## INCOME STATEMENT

for the year ended 31 December 2004

	2004 R	2003 R
Funds received	4 733 387	7 056 103
Grants received	2 639 654	6 012 061
Interest received	280 858	388 246
Consultancy fees	1 723 645	551 825
Sundry income	89 230	103 971
Expenditure	6 896 374	7 296 273
Projects	5 153 525	5 355 402
Administration	1 742 849	1 940 871
Over-expended project funding at end of the year	(2 162 987)	(240 170)

## STATEMENT OF CHANGES IN FUNDS

for the year ended 31 December 2004

	Project funding R	Fixed assets funding R	Total R
Balance at 31 December 2002	6 464 736	52 780	6 517 516
Over-expended project funding	(240 170)	-	(240 170)
Transfer to fixed assets	(102 898)	102 898	-
Balance at 31 December 2003	6 121 668	155 678	6 277 346
Over-expended project funding	(2 162 987)	-	(2 162 987)
Transfer to fixed assets	37 116	(37 116)	-
Balance at 31 December 2004	3 995 797	118 562	4 114 359

## CASH FLOW STATEMENT

for the year ended 31 December 2004

	Note	2004 R	2003 R
Cash (utilised)/generated by operations	7	(3 380 059)	1 536 674
Interest received		280 858	388 246
Net cash (outflow)/inflow from operating activities		(3 099 201)	1 924 920
Cash flows from investing activities			
Acquisition of furniture and equipment		(60 513)	(174 122)
(Decrease)/increase in cash and cash equivalents		(3 159 714)	1 750 798
Cash and cash equivalents at beginning of year		7 185 564	5 434 766
Cash and cash equivalents at end of year		4 025 850	7 185 564

## NOTES TO THE FINANCIAL STATEMENT

for the year ended 31 December 2004

### 1. Accounting policies

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

#### 1.1 *Basis of preparation*

The annual financial statements are prepared on the historical cost basis.

#### 1.2 *Grants received*

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

#### 1.3 *Furniture and equipment*

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

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

#### 1.4 *Impairment*

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

#### 1.5 *Cash and cash equivalents*

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

#### 1.6 *Provisions*

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

#### 1.7 *Fixed assets fund*

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

NOTES TO THE FINANCIAL STATEMENT

for the year ended 31 December 2004 (continued)

	Depreciation Rate %	Cost R	Accumulated depreciation R	Net book value R
<b>2. Furniture and equipment</b>				
<b>2004</b>				
Furniture	16.7	46 374	8 510	37 864
Computer equipment	33.3	249 436	168 738	80 698
		<u>295 810</u>	<u>177 248</u>	<u>118 562</u>
<b>2003</b>				
Furniture	16.7	20 917	3 551	17 366
Computer equipment	33.3	228 200	89 888	138 312
		<u>249 117</u>	<u>93 439</u>	<u>155 678</u>

Furniture and equipment can be reconciled as follows:

	Furniture and fittings R	Computer equipment R	Total R
<b>2004</b>			
Carrying amount at beginning of year	17 366	138 312	155 678
Additions	25 457	35 056	60 513
Depreciation	(4 959)	(81 537)	(86 496)
Disposals	-	(11 133)	(11 133)
	<u>37 864</u>	<u>80 698</u>	<u>118 562</u>
<b>2003</b>			
Carrying amount at beginning of year	12 185	40 595	52 780
Additions	7 744	166 378	174 122
Depreciation	(2 563)	(68 661)	(71 224)
	<u>17 366</u>	<u>138 312</u>	<u>155 678</u>

**3. Accounts receivable**

	2004 R	2003 R
Donors	1 334 004	47 418
South African Revenue Service	16 887	26 637
Other	32 009	28 076
	<u>1 382 900</u>	<u>102 131</u>

**4. Project funding**

Project funding comprises the unexpended project funding at the end of the year that is to be used against future project expenditure.



## NOTES TO THE FINANCIAL STATEMENT

for the year ended 31 December 2004

	2004 R	2003 R
<b>5. Directors' emoluments</b>		
– for executive services to the company whilst in office as director	499 996	547 778
<b>6. Taxation</b>		
No provision has been made for South African normal tax because Trade and Industrial Policy Strategies (TIPS) has been approved as a public-benefit organisation in terms of Section 30 of the Income Tax (the Act) and its receipts and accruals are exempt from income tax in terms of Section 10(1)(CN) of the Act.		
<b>7. Notes to cash flow statement</b>		
<i>Cash (utilised)/generated by operations</i>		
Over-expended funds for the year	(2 162 987)	(240 170)
Adjustments for		
– depreciation	86 496	71 224
– interest received	(280 858)	(388 246)
– loss on disposal of fixed assets	11 133	-
Deficit funding before working capital changes	(2 346 216)	(557 192)
(Increase)/decrease in accounts receivable	(1 280 769)	1 462 947
Increase in accounts payable	246 926	630 919
	<u>(3 380 059)</u>	<u>1 536 674</u>

## DETAILED INCOME STATEMENT

for the year ended 31 December 2004

	Note	2004 R	2003 R
<b>Funding</b>		4 733 387	7 056 103
Grants received		2 639 654	6 012 061
Interest received		280 858	388 246
Consultancy fees		1 723 645	551 825
Sundry income		89 230	103 971
<b>Expenditure</b>		6 896 374	7 296 273
<b>Projects</b>		5 153 525	5 355 402
Audit fees		-	7 500
Bank charges		12 126	8 637
Consulting fees		2 781 855	2 964 539
Employment costs		1 228 752	988 585
Equipment		17 956	18 497
Office supplies and expenses		30 866	38 449
Printing and publications		317 348	425 651
Seminars, meetings and conferences		394 362	217 237
Small grants and scholarships		10 000	10 000
Telephone		23 736	22 635
Training		-	121 623
Travel		336 524	532 049
<b>Administration</b>		1 742 849	1 940 871
Audit fees		43 000	96 000
Bank charges		25 256	13 527
Computer maintenance		21 952	45 742
Consulting fees		135 130	175 525
Data communications		50 072	56 559
Depreciation		86 496	71 224
Employment costs		716 195	869 890
Equipment		83 207	54 632
Insurance		32 495	43 246
Office rental and security		245 372	245 344
Office supplies	2	68 527	70 863
Periodicals and subscriptions		6 129	2 480
Printing and publications		48 365	30 334
Seminars, meetings and conferences		174	17 814
Telephone		53 984	63 054
Training		5 489	6 151
Travel		64 316	60 715
Vehicle operations and maintenance		8 455	17 771
Office relocation		50 922	-
Over-expended project funding for the period		(2 162 987)	(240 170)

## INCOME STATEMENT BY SOURCE

for the year ended 31 December 2002

Funders	USAID		GTZ		IDRC			IISD		DPRU	DFID			
Projects	Economic Capacity Analysis Development for SADC	Enhancing the International Competitiveness of SA	Core	Senior Fellowship Expenses	Southern Africa Trade Research Network	2005-2006	Trade Knowledge Network	Research in Energy Services	Economy-Wide impact Analysis Course	SA Trade and Poverty Programme Phase 1	SA Trade and Poverty Programme Phase 2	Working Capital	CGE Impact Analysis Course	
													Nathan & Associates	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R
<b>Funding</b>	0	961 412	1 087 115	(34 073)	0	0	0	(2 544)	33 511	284 244	330 300	313 209	0	
Grants	-	961 412	1 087 115	(18 563)	-	-	-	(4 854)	-	284 244	330 300	-	-	
Consultancy fees	-	-	-	-	-	-	-	-	33 511	-	-	-	-	
Interest	-	-	-	(15 510)	-	-	-	2 310	-	-	-	294 058	-	
Other income	-	-	-	-	-	-	-	-	-	-	-	19 151	-	
<b>Expenditure</b>	(4 160)	1 826 051	2 451 409	13 899	535,468	0	(26 534)	82 579	15,573	250 491	330 300	(190 167)	0	
Direct	(4 160)	1 383 664	2 451 409	13 899	458 692	-	(26 534)	17 167	14	275 250	237,803	902 627	4 168	
Allocated	-	442 387	-	-	76 776	-	-	65 412	15 559	(24 759)	92 497	(1 092 794)	(4 168)	
Equipment	0	0	27 979	0	0	0	0	0	0	0	0	(65 094)	0	
<b>Surplus/(deficit) end of period</b>	0	0	0	0	179 717	0	0	0	0	0	0	3 667 331	0	
For the period	4 160	(864 639)	(1 392 273)	(47 972)	(535 468)	-	26 534	(85 123)	17 938	33 753	-	568 470	-	
Correction prior year income	-	-	804 000	-	(804 000)	-	-	-	-	-	-	-	-	
At beginning of year	(4 160)	864 639	588 273	47 972	1 519 185	-	(26 534)	85 123	(17 938)	(33 753)	-	3 098 861	-	

## Small Projects and Working Capital

<i>CGE Impact Analysis Course</i>	<i>Implication of SA's Applied Tariff Schedule</i>	<i>Regulated Sectors: Price-setting Frameworks</i>	<i>SADC Mid-Term Review</i>	<i>Tourism in South Africa</i>	<i>Annual Review of Small Business in SA 2003</i>	<i>Impact Analysis of Rail Restructuring</i>	<i>Sectors Project</i>	<i>SOE Restructuring: Macro Impact on SA Economy</i>	<i>Regional Dialogue on Intellectual Property Rights</i>	<i>Economic Review Update</i>	<i>Western Cape Provincial Treasury PER&amp;O</i>	<i>Growth, Openness &amp; Poverty: SA &amp; Thailand</i>	<i>Total Small Projects and Working Capital</i>	<i>Consolidated</i>
<i>Nathan &amp; Associates</i>	<i>the dti</i>	<i>Adam Smith Institute</i>	<i>GFA Management</i>	<i>National Institute for Economic Policy (NIEP)</i>	<i>the dti</i>	<i>Dept. of Transport</i>	<i>ComMark Trust</i>	<i>Dept. of Public Enterprises</i>	<i>ICTSD</i>	<i>Mpumalanga Provincial Government</i>	<i>DPRU</i>	<i>Norwegian University of Science &amp; Technology</i>		
R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
137 499	0	0	162 807	12 850	579 920	100 000	316 719	87 719	213 409	30 000	60 268	59 022	2 073 422	4 733 387
-	-	-	-	-	-	-	-	-	-	-	-	-	-	2 639 654
67 420	-	-	162 807	12 850	579 920	100 000	316 719	87 719	213 409	30 000	60 268	59 022	1 690 134	1 723 645
-	-	-	-	-	-	-	-	-	-	-	-	-	294 058	280 858
70 079	-	-	-	-	-	-	-	-	-	-	-	-	89 230	89 230
137 499	0	0	162 807	12 850	579 920	100 000	316 719	87 719	213 409	30 000	60 268	59 022	1 570 046	7 045 122
134 616	(29 294)	445	110 557	2 871	388 116	61 000	303 679	87 719	184 076	25 000	8 679	53 656	2 237 915	7 045 119
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## HOW TO REACH US

### Trade and Industrial Policy Strategies (TIPS)

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✉ [info@tips.org.za](mailto:info@tips.org.za)

🌐 [www.tips.org.za](http://www.tips.org.za)

#### *Auditors*

KPMG Inc.

Registered Accountants and Auditors

#### *Bankers*

Standard Bank

#### *Registered Office*

814 Church Street, Arcadia 0083, Pretoria, South Africa

#### *Legal Status*

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

## DONORS



Deutsche Gesellschaft für  
Technische Zusammenarbeit (GTZ) GmbH

